

FIRST DIVISION

[G.R. No. 197192, June 04, 2014]

COMMISSIONER OF INTERNAL REVENUE, PETITIONER, VS. THE INSULAR LIFE ASSURANCE CO. LTD., RESPONDENT.

DECISION

REYES, J.:

"Time and again, the Court has held that it is a very desirable and necessary judicial practice that when a court has laid down a principle of law as applicable to a certain state of facts, it will adhere to that principle and apply it to all future cases in which the facts are substantially the same. *Stare decisis et non quieta movere*. Stand by the decisions and disturb not what is settled. *Stare decisis* simply means that for the sake of certainty, a conclusion reached in one case should be applied to those that follow if the facts are substantially the same, even though the parties may be different. It proceeds from the first principle of justice that, absent any powerful countervailing considerations, like cases ought to be decided alike. Thus, where the same questions relating to the same event have been put forward by the parties similarly situated as in a previous case litigated and decided by a competent court, the rule of *stare decisis* is a bar to any attempt to relitigate the same issue."^[1]

The Case

This is a Petition for Review on *Certiorari*^[2] under Rule 45 of the Rules of Court filed by the Commissioner of Internal Revenue (petitioner) against The Insular Life Assurance Co., Ltd. (respondent), challenging the Decision^[3] dated March 14, 2011 and Resolution^[4] dated June 13, 2011 of the Court of Tax Appeals (CTA) *en banc* in CTA EB Case No. 585 (CTA Case No. 7292).

Antecedent Facts

Petitioner Commissioner of Internal Revenue is the official duly authorized under Section 4 of the National Internal Revenue Code (NIRC) of 1997, as amended, to assess and collect internal revenue taxes, as well as the power to decide disputed assessments, subject to the exclusive appellate jurisdiction of this Court.

Respondent The Insular Life Assurance, Co., Ltd. is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office located at IL Corporate Center, Insular Life Drive, Filinvest Corporate City, Alabang, Muntinlupa City. It is registered as a non-stock mutual life insurer with the Securities and Exchange Commission.

On October 7, 2004, respondent received an Assessment Notice with Formal Letter of Demand both dated July 29, 2004, assessing respondent for deficiency DST on its premiums on direct business/sums assured for calendar year 2002, computed as follows:

| | |
|---|-------------------------|
| Documentary Stamp Tax | |
| Deficiency Documentary Stamp Tax-Basic | [P]70,732,389.83 |
| Add: Increments (Interest and Compromise Penalty) | 23,201,969.38 |
| Total Amount Due | [P]93,934,359.21 |

Thereafter, respondent filed its Protest Letter on November 4, 2004, which was subsequently denied by petitioner in a Final Decision, on Disputed Assessment dated April 15, 2005 for lack of factual and legal bases. Apparently, respondent received the aforesaid Final Decision on Disputed Assessment only on June 23, 2005.

On July 15, 2005, respondent filed a Petition for Review before [the CTA].

On April 21, 2009, the former Second Division of the [CTA] rendered a Decision in favor of respondent, thus, granting the Petition for Review and held, among others, that respondent sufficiently established that it is a cooperative company and therefore, it is exempt from the DST on the insurance policies it grants to its members.

Consequently, on May 13, 2009, petitioner filed a Motion for Reconsideration.

On January 11, 2010, petitioner received a Resolution dated January 4, 2010 of the former Second Division of [the CTA] denying [its] Motion for Reconsideration for lack of merit. It held, among others, that the Supreme Court in *Republic of the Philippines vs. Sunlife Assurance Company of Canada* already laid down the rule that registration with the Cooperative Development Authority is not essential before respondent may avail of the exemptions granted under Section 199 of the 1997 NIRC, as amended.

Undaunted, petitioner filed a Petition for Review before the [CTA] *en banc* on January 26, 2010.^[5] (Citations omitted)

On March 14, 2011, the CTA *en banc* denied the petition and rendered the assailed decision, with the dispositive portion as follows:

WHEREFORE, the instant Petition for Review is hereby **DENIED** for lack of merit. The assailed Decision dated April 21, 2009 and Resolution dated January 4, 2010 are **AFFIRMED**.

SO ORDERED.^[6]

It is the petitioner's contention that since the respondent is not registered with the Cooperative Development Authority (CDA), it should not be considered as a cooperative company that is entitled to the exemption provided under Section 199(a) of the National Internal Revenue Code (NIRC) of 1997.^[7] Thus, the instant petition.

Issue

WHETHER OR NOT THE CTA EN BANC ERRED IN RULING THAT RESPONDENT IS A COOPERATIVE AND [IS] THUS[,] EXEMPT FROM DOCUMENTARY STAMP TAX.^[8]

Ruling

The Court has pronounced in *Republic of the Philippines v. Sunlife Assurance Company of Canada*^[9] that "[u]nder the Tax Code although respondent is a cooperative, registration with the CDA is not necessary in order for it to be exempt from the payment of both percentage taxes on insurance premiums, under Section 121; and documentary stamp taxes on policies of insurance or annuities it grants, under Section 199."^[10]

Section 199 of the NIRC of 1997 provides:

Sec. 199. Documents and Papers Not Subject to Stamp Tax. – The provisions of Section 173 to the contrary notwithstanding, the following instruments, documents and papers shall be **exempt from the documentary stamp tax**:

(a) Policies of insurance or annuities made or granted by a fraternal or beneficiary society, order, association or cooperative company, operated on the lodge system or local cooperation plan and organized and conducted solely by the members thereof for the exclusive benefit of each member and not for profit.

x x x x (Emphasis ours)

As regards the applicability of *Sunlife* to the case at bar, the CTA, through records, has established the following similarities between the two which call for the application of the doctrine of *stare decisis*:

1. Sunlife Assurance Company of Canada and the respondent are both engaged in mutual life insurance business in the Philippines;

2. The structures of both corporations were converted from stock life insurance corporation to non-stock mutual life insurance for the benefit of its policyholders pursuant to Section 266, Title 17 of the Insurance Code of 1978 and they were made prior to the effectivity of Republic Act (R.A.) No. 6938, otherwise known as the "Cooperative Code of the Philippines";
3. Both corporations claim to be a purely cooperative corporation duly licensed to engage in mutual life insurance business;
4. Both corporations claim exemption from payment of the documentary stamp taxes (DST) under Section 199(1) of the Tax Code (now Section 199[a] of the NIRC of 1997, as amended); and
5. Petitioner CIR requires registration with the CDA before it grants tax exemptions under the Tax Code.^[11]

The CTA observed that the factual circumstances obtaining in *Sunlife* and the present case are substantially the same. Hence, the CTA based its assailed decision on the doctrine enunciated by the Court in the said case. On the other hand, the petitioner submitted that the doctrine in *Sunlife* should be reconsidered and not be applied because the same failed to consider Section 3(e) of R.A. No. 6939,^[12] which provides that CDA has the power to register all cooperatives,^[13] to wit:

Section 3. **Powers, Functions and Responsibilities.** – The Authority shall have the following powers, functions and responsibilities:

x x x x

(e) Register all cooperatives and their federations and unions, including their division, merger, consolidation, dissolution or liquidation. It shall also register the transfer of all or substantially all of their assets and liabilities and such other matters as may be required by the Authority;

x x x x

The petitioner proposed that considering the foregoing provision, registration with the CDA is necessary for an association to be deemed as a cooperative and to enjoy the tax privileges appurtenant thereto.^[14]

A perusal of Section 3(e) of R.A. No. 6939 evidently shows that it is merely a statement of one of the powers exercised by CDA. Neither Section 3(e) of R.A. No. 6939 nor any other provision in the aforementioned statute imposes registration with the CDA as a condition precedent to claiming DST exemption. Even then, R.A. No. 6939 is inapplicable to the case at bar, as will be discussed shortly.

The NIRC of 1997 defined a cooperative company or association as "conducted by the members thereof with the money collected from among themselves and solely for their own protection and not for profit."^[15] Consequently, as long as these requisites are satisfied, a company or association is deemed a cooperative insofar as