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FOR THESE REASONS, the petition for review is **DISMISSED**; the Manifestation and Motion to Render Judgment on the Case Based on the Parties' Compromise Settlement under Section 204 (A) of the National Internal Revenue Code filed by Kepco Philippines Corporation is **GRANTED**. The case is considered **CLOSED and TERMINATED**.

The Bureau of Internal Revenue is **DIRECTED TO REMIT** 5% of the total compromise amount paid by Kepco Philippines Corporation for taxable year 2006 to the Office of the Solicitor General.

SO ORDERED.

Peralta, C.J. (Chairperson), Caguioa, Reyes, J. Jr., and *Lazaro-Javier, JJ.,* concur.

FIRST DIVISION

[G.R. No. 226449. July 28, 2020]

COMMISSIONER OF INTERNAL REVENUE, *petitioner, vs.* **FEDERATION OF GOLF CLUBS OF THE PHILIPPINES, INC.,** *respondent*.

SYLLABUS

1. POLITICAL LAW; ADMINISTRATIVE LAW; DOCTRINE OF EXHAUSTION OF ADMINISTRATIVE REMEDIES; A PURELY LEGAL ISSUE ALLOWS THE RELAXATION THEREOF; CASE AT BAR. — Giving due course to the petition, the Court held that while the issuance of RMC No. 35-2012, being an interpretative rule, is subject to the review of the Secretary of Finance following Section 4 of the NIRC,

a purely legal issue allows the relaxation of the doctrine of exhaustion of administrative remedies.

2. TAXATION; BUREAU OF INTERNAL REVENUE; REVENUE MEMORANDUM CIRCULAR (RMC) NO. 35-2012; INTERPRETATION CONTAINED THEREIN WAS ERRONEOUS INASMUCH AS IT EFFECTIVELY ERADICATED THE DISTINCTION BETWEEN INCOME AND CAPITAL WHEN IT CLASSIFIED MEMBERSHIP DUES, ASSESSMENT FEES, AND THE LIKE AS INCOME AND THEREFORE SUBJECT TO INCOME TAX; INCOME, DEFINED; MEMBERSHIP FEES, ASSESSMENT DUES, AND OTHER FEES OF SIMILAR NATURE ARE NOT SUBJECT TO INCOME TAX. — As to income tax, the Court declared that the interpretation contained in RMC No. 35-2012 was erroneous inasmuch as it effectively eradicated the distinction between "income" and "capital" when it classified membership dues, assessment fees, and the like as "income" and therefore subject to income tax. Income is defined as "an amount of money coming to a person or corporation within a specified time, whether as payment for services, interest or profit from investment" while capital is the "fund" or "wealth". Based on the foregoing, the Court considered membership fees and the like as "capital", as they are intended for the upkeep of the facilities and operations of the recreational clubs, and not to generate revenue. Thus, it is only the recreational club's *income* which should be subject to taxation, as "the State cannot impose tax on capital as it constitutes an unconstitutional confiscation of property." Thus, membership fees, assessment dues, and other fees of similar nature are not subject to income tax.

3. ID.; ID.; ERRONEOUSLY INCLUDED THE GROSS RECEIPTS OF RECREATIONAL CLUBS ON MEMBERSHIP FEES, ASSESSMENT DUES, AND THE LIKE AS SUBJECT TO VALUE-ADDED TAX (VAT); SECTION 105 OF THE NATIONAL INTERNAL REVENUE CODE (NIRC) SPECIFIED THE TAXABILITY OF ONLY THOSE WHICH DEAL WITH THE SALE, BARTER OR EXCHANGE OF GOODS OR PROPERTIES, OR SALE OF SERVICE. — As to VAT, the Court interpreted that RMC No. 35-2012 erroneously included the gross receipts of recreational clubs on membership fees, assessment dues, and the like as subject to VAT because Section 105 of the 1997

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NIRC specified the taxability of only those which deal with the "sale, barter or exchange of goods or properties, or sale of service." In collecting such fees from their members, recreational clubs are not selling any kind of service, in the same way that the members are not procuring service from them. Thus, "there could be no sale, barter or exchange of goods or properties, or sale of a service to speak of, which would then be subject to VAT under the 1997 NIRC."

4. REMEDIAL LAW; SPECIAL CIVIL ACTIONS; DECLARATORY RELIEF; INSTANCES WHEN A PETITION THEREFOR MAY BE TREATED AS A PETITION FOR PROHIBITION; CASE AT BAR. — Preliminarily, we recognize our ruling in *Bureau of Internal Revenue v. First E-Bank Tower Condominium Corporation,* citing *Department of Transportation v. Philippine Petroleum Sea Transport Association* and *Diaz v. Secretary of Finance* which declared that although a petition for declaratory relief was improper when assailing government issuances, yet when the issues have "far-reaching implications and raises questions that need to be resolved for the public good; or if the assailed act or acts of executive officials are alleged to have usurped legislative authority," then a petition for declaratory relief may be treated as a petition for prohibition. In this case, the validity or invalidity of RMC No. 35-2012 would affect all recreational clubs in the Philippines in their liability to pay both income tax and VAT. Moreover, the BIR, in issuing the same, usurped the power of the legislature. In fact, the *ANPC* case discussed that the "sweeping" inclusion of membership dues, assessment fees and the like in the category of "income" and "sale, barter, exchange of goods or properties or sale of service" in income tax and VAT respectively, the BIR exceeded its rule-making authority.

5. CIVIL LAW; EFFECT AND APPLICATION OF LAWS; PRINCIPLE OF *STARE DECISIS*; A BAR TO ANY ATTEMPT TO RELITIGATE THE SAME ISSUE WHERE THE SAME QUESTIONS RELATING TO THE SAME EVENT HAVE BEEN PUT FORWARD BY PARTIES SIMILARLY SITUATED AS IN A PREVIOUS CASE LITIGATED AND DECIDED BY A COMPETENT COURT; CASE AT BAR. — The principle of *stare decisis et non quieta movera* ("to adhere to precedents and not to unsettle things which

are established") is a bar to any attempt to re-litigate the same issue where the same questions relating to the same event have been put forward by parties similarly situated as in a previous case litigated and decided by a competent court. In other words, it denies the examination and relitigation of issues where the same had already been decided upon, as judicial decisions form part of our legal system. As such doctrine is grounded upon the stability of judicial decisions, any attempt to abandon any judicial pronouncement requires strong and compelling reasons therefor. Clearly, the issues in this case mirror that of the issues in *ANPC*. In the absence of a compelling reason warranting the disturbance of the Court's ruling, the decision stands. While the provisions of the 1997 NIRC was amended by Republic Act (RA) No. 10963 (The TRAIN Law), the latter neither changed the definition of "income" insofar as income taxation is concerned nor the coverage of VAT. The *rationale* of the Court in *ANPC* is thus *ad rem*. On this note, the resolution of the Court as to the proper interpretation of the RMC No. 35-2012 and its validity must be upheld. Corollary, the RTC, in declaring the invalidity of the RMC No. 35-2012 in its entirety, is improper.

APPEARANCES OF COUNSEL

The Solicitor General for petitioner.
Abejo Tayag & Juarez Law Offices for respondent.

D E C I S I O N

REYES, J. JR., *J.*:

Assailed in this Petition for Review on *Certiorari*[1] are the Decision[2] dated April 29, 2016 and Resolution[3] dated August 10, 2016 of the Regional Trial Court (RTC) of Makati City, Branch 66, which declared invalid Revenue Memorandum Circular (RMC) No. 35-2012 (Clarifying the Taxability of Clubs

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[1] *Rollo*, pp. 10-41.

[2] Penned by Judge Joselito C. Villarosa, *id.* at 48-54.

[3] *Id.* at 55.

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Organized and Operated Exclusively for Pleasure, Recreation, and Other Non-Profit Purposes) issued by the Commissioner of the Bureau of Internal Revenue (CIR).

The Relevant Antecedents

A petition for declaratory relief, questioning the validity of RMC No. 35-2012 issued by the CIR, was filed by Federation of Golf Clubs of the Philippines, Inc. (FEDGOLF).[4]

RMC No. 35-2012 was issued to clarify the taxability of clubs which are organized and operated exclusively for pleasure, recreation, and other non-profit purposes (recreational clubs). Said RMC subjects the income of recreational clubs from whatever source, including but not limited to *membership fees*, *assessment dues*, rental income, and service fees, to income tax; and the gross receipts of such clubs including but not limited to *membership fees*, *assessment dues*, rental income, and service fees to value-added tax (VAT).

In its Petition,[5] FEDGOLF, among others, alleged that the implementation of the RMC has adverse consequences to it and its members considering that prior to the issuance of the same, membership fees, dues, and assessments received by it and its member golf clubs had not been subjected to income tax and VAT.[6]

Thus, on October 22, 2012, FEDGOLF filed a motion for review and clarification of RMC No. 35-2012, praying for the review of said interpretation to exempt organizations under Section 30 of the 1997 National Internal Revenue Code (NIRC); and to exempt the funds they receive, such as monthly dues, membership dues, and special and necessary assessments from income tax and VAT.[7]

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[4] *Id.* at 48.

[5] *Id.* at 149-175.

[6] *Id.* at 152.

[7] *Id.* at 152.

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However, such motion remained unacted upon.[8]

Despite the filing of its petition, FEDGOLF alleged that it has been paying taxes under the assailed RMC under protest.[9]

In its Answer,[10] the CIR asserted that the RTC was bereft of jurisdiction over the case as it was the Court of Tax Appeals which has jurisdiction over the decisions of the CIR or other matters arising under the NIRC or other laws; and that assuming the RTC has jurisdiction over the case, a recreational club is not among the tax-exempt organizations under Section 30 of the 1997 NIRC.

In its Reply,[11] FEDGOLF insisted on the jurisdiction of the RTC as the allegations in the petition clearly established that the case was one for declaratory relief. FEDGOLF likewise stood by its interpretation of the 1997 NIRC as to its exemption from paying income tax and VAT on membership dues and assessments as the latter were considered as contributions to capital, and not income.

In the assailed Decision[12] dated April 29, 2016, the RTC granted the petition. On the issue of jurisdiction, the RTC maintained that all the requisites for a petition for declaratory relief were present in the case; hence being an action incapable of pecuniary estimation, it properly took cognizance of it.

On the propriety of the issuance of RMC No. 35-2012, the RTC declared the same invalid as the CIR exceeded its authority when it effectively imposed tax upon petitioner — a matter within the sole prerogative of the Legislature.

Assuming the validity of CIR's exercise of power to enact said RMC, the RTC nevertheless declared that due process should

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[8] *Id.* at 153.

[9] *Id.*

[10] *Id.* at 199-210.

[11] *Id.* at 211-223.

[12] *Supra* note 2.

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have been afforded to recreational clubs before its effectivity, considering that said RMC is a legislative rule, creating additional burden upon recreational clubs.

Assuming further that said RMC is valid, the RTC held that petitioner cannot be held liable for income tax as Section 30[13] of NIRC provides income tax-exemption for non-stock corporation or association organized and operated exclusively for religious, charitable, scientific, athletic or cultural purposes. Likewise, VAT on membership dues, assessment fees, and the like of recreational clubs shall not be imposed as Section 105 of NIRC delineates the imposition of VAT only on sale, barter, exchange, lease, rendering of service or importation of goods. In such context, membership dues and the like cannot be considered as payment for the purchase of goods and services. Instead, they are "capital contributions" to defray administrative costs and maintenance expenses of the recreational clubs.

The dispositive portion reads:

WHEREFORE, premises considered, the instant *Petition for Declaratory Relief* is hereby **GRANTED**. Accordingly, RMC No. 35-2012 is hereby declared **NULL and VOID**.

SO ORDERED.[14]

In the Resolution[15] dated August 10, 2016, the RTC denied CIR's motion for reconsideration.

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[13] **SEC. 30.** *Exemptions from Tax on Corporation.* — The following organizations shall not be taxed under this Title in respect to income received by them as such:

x x x x x x x x x

E) Non-stock corporation or association organized and operated exclusively for religious, charitable, scientific, athletic, or cultural purposes, or for the rehabilitation of veterans, no part of its net income or asset shall belong to or inures to the benefit of any member, organizer, officer or any specific person;

x x x x x x x x x

[14] *Id.* at 54.

[15] *Supra* note 3.

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Challenging the ruling of the RTC, CIR filed this instant petition.

The Issues

Procedurally, the CIR asserts that FEDGOLF failed to exhaust administrative remedies in filing the petition before the RTC instead of filing the same before the Secretary of Department of Finance; and that the RTC erroneously took cognizance of the petition for declaratory relief, considering FEDGOLF's failure to show that no breach of violation of RMC No. 35-2012 was committed.

Substantively, the CIR insists on the validity of RMC No. 35-2012 as it stemmed from the CIR's exercise of delegated rule-making power.

The Court's Ruling

Notably, the issues in this case were dealt with in the 2019 case of *Association of Non-Profit Clubs, Inc. (ANPC) v. Bureau of Internal Revenue*.[16]

Preliminarily, the CIR issued RMC No. 35-2012 as a result of the apparent inconsistency among BIR rulings, exempting recreational clubs from income tax and VAT, despite the express and clear mandate of the 1997 NIRC on their taxability.

Thus, to establish uniform interpretation of the 1997 NIRC, RMC No. 35-2012 clarified the taxability of recreational clubs and categorically subjected their income and gross receipts, including but not limited to membership fees, assessment dues, rental income, service fees to both income tax and VAT, respectively, thus:

a. Income tax

Clubs which are organized and operated exclusively for pleasure, recreation, and other non-profit purposes are subject to income tax

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[16] G.R. No. 228539, June 26, 2019.

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under the National Internal Revenue Code of 1997, as amended. According to the doctrine of *casus omissus pro omisso habendus est*, a person object or thing omitted from an enumeration must be held to have been omitted intentionally. The provision in the National Internal Revenue Code of 1977 which granted income tax exemption to such recreational clubs was omitted in the current list of tax exempt corporations under National Internal Revenue Code of 1997, as amended. **Hence, the income of recreational clubs from whatever source, including but not limited to membership fees, assessment dues, rental income, and service fees are subject to income tax.**

b. Value-Added Tax

Section 105 of the National Internal Revenue Code of 1997, as amended, provides:

SECTION 105. Persons Liable. — Any person who, in the course of trade or business, sells, barters, exchanges, leases goods or properties, renders services, and any person who imports goods shall be subject to the value-added tax (VAT) imposed in Sections 106 to 108 of this Code.

x x x x x x x x x

The phrase 'in the course of trade or business' means the regular conduct or pursuit of a commercial or an economic activity, including transactions incidental thereto, by any person regardless of whether or not the person engaged therein is a nonstock, nonprofit private organization (irrespective of the disposition of its net income and whether or not it sells exclusively to members or their guests), or government entity. (Emphasis omitted)

The above provision is clear — even a non-stock, non-profit organization or government entity is liable to pay VAT on the sale of goods or services.

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Clearly, **the gross receipts of recreational clubs including but not limited to membership fees, assessment dues, rental income, and service fees are subject to VAT**.[17] (Emphases supplied)

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[17] RMC No. 35-2012 issued on August 3, 2012.

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The CIR, in issuing RMC No. 35-2012, maintained the taxability of the recreational clubs' income because unlike the *1977* NIRC which expressly included recreational clubs,[18] the 1997 NIRC deleted these organizations in the lists of clubs exempted from income taxation:

SEC. 30. Exemptions from Tax on Corporations. — The following organizations shall not be taxed under this Title in respect to income received by them as such:

(A) Labor, agricultural or horticultural organization not organized principally for profit;

(B) Mutual savings bank not having a capital stock represented by shares, and cooperative bank without capital stock organized and operated for mutual purposes and without profit;

(C) A beneficiary society, order or association, operating for the exclusive benefit of the members such as a fraternal organization operating under the lodge system, or mutual aid association or a nonstock corporation organized by employees providing for the payment of life, sickness, accident, or other benefits exclusively to the members of such society, order, or association, or nonstock corporation or their dependents;

(D) Cemetery company owned and operated exclusively for the benefit of its members;

(E) Nonstock corporation or association organized and operated exclusively for religious, charitable, scientific, athletic, or cultural purposes, or for the rehabilitation of veterans, no part of its net income or asset shall belong to or inure to the benefit of any member, organizer, officer or any specific person;

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[18] SEC. 16. Exemptions from tax on corporations. —

x x x x x x x x x

(e) Corporation or association organized and operated exclusively for religious, charitable, scientific, athletic or cultural purposes, or for the rehabilitation of veterans, no part of the net income of which inures to the benefit of any private stockholder or individual;

x x x x x x x x x

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(F) Business league chamber of commerce, or board of trade, not organized for profit and no part of the net income of which inures to the benefit of any private stock-holder, or individual;

(G) Civic league or organization not organized for profit but operated exclusively for the promotion of social welfare;

(H) A nonstock and nonprofit educational institution;

(I) Government educational institution;

(J) Farmers' or other mutual typhoon or fire insurance company, mutual ditch or irrigation company, mutual or cooperative telephone company, or like organization of a purely local character, the income of which consists solely of assessments, dues, and fees collected from members for the sole purpose of meeting its expenses; and

(K) Farmers', fruit growers', or like association organized and operated as a sales agent for the purpose of marketing the products of its members and turning back to them the proceeds of sales, less the necessary selling expenses on the basis of the quantity of produce finished by them;

Notwithstanding the provisions in the preceding paragraphs, the income of whatever kind and character of the foregoing organizations from any of their properties, real or personal, or from any of their activities conducted for profit regardless of the disposition made of such income, shall be subject to tax imposed under this Code.

With the deletion of recreational clubs from the exemption, the CIR interpreted that their income of *whatever source*, including, but not limited to membership fees, assessment dues, rental income and service fees are subject to tax.

In the imposition of VAT, the CIR maintained that gross receipts of recreational clubs, including, but not limited to membership fees, assessment dues, rental income and service fees are subject to VAT considering that Section 105[19] of the

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[19] SEC. 105. *Persons Liable*. — Any person who, in the course of trade or business, sells, barters, exchanges, leases goods or properties, renders services, and any person who imports goods shall be subject to the value-added tax (VAT) imposed in Sections 106 to 108 of this Code.

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1997 NIRC provides for the liability of non-stock, non-profit organization or government entity to VAT on the sale of goods and services.

In *ANPC*, petitioner likewise questioned the validity of RMC No. 35-2012 in a petition for declaratory relief before the RTC. In subjecting membership fees, assessment fees and the like to income tax and VAT, RMC No. 35-2012 was alleged to be invalid, confiscatory, oppressive, and in violation of its right to due process.

Respondent, on the other hand, asserted that petitioner failed to exhaust administrative remedies in filing such petition before the RTC; and stood firm on the validity of the issuance of RMC No. 35-2012.

The trial court denied the petition for declaratory relief and upheld the validity of RMC No. 35-2012 as the issuance thereof is in line with the power of the CIR to interpret laws.

The disposition of the trial court was assailed in a petition for review on *certiorari* filed before the Court.

Giving due course to the petition, the Court held that while the issuance of RMC No. 35-2012, being an interpretative rule, is subject to the review of the Secretary of Finance following

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The value-added tax is an indirect tax and the amount of tax may be shifted or passed on to the buyer, transferee or lessee of the goods, properties or services.

This rule shall likewise apply to existing contracts of sale or lease of goods, properties or services at the time of the effectivity of Republic Act No. 7716.

The phrase "in the course of trade or business" means the regular conduct or pursuit of a commercial or an economic activity, including transactions incidental thereto, by any person regardless of whether or not the person engaged therein is a nonstock, nonprofit private organization (irrespective of the disposition of its net income and whether or not it sells exclusively to members or their guests), or government entity.

The rule of regularity, to the contrary notwithstanding, services as defined in this Code rendered in the Philippines by nonresident foreign persons shall be considered as being course of trade or business.

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Section 4[20] of the NIRC, a purely legal issue allows the relaxation of the doctrine of exhaustion of administrative remedies.

In a precise disposition, the Court in the *ANPC* case resolved that membership fees, assessment dues, and the like are neither income nor part of gross receipts of recreational clubs; hence, they are not taxable insofar as income tax and VAT are concerned.

As to income tax, the Court declared that the interpretation contained in RMC No. 35-2012 was erroneous inasmuch as it effectively eradicated the distinction between "income" and "capital" when it classified membership dues, assessment fees, and the like as "income" and therefore subject to income tax.

Income is defined as "an amount of money coming to a person or corporation within a specified time, whether as payment for services, interest or profit from investment"[21] while capital is the "fund" or "wealth."[22] Based on the foregoing, the Court considered membership fees and the like as "capital," as they are intended for the upkeep of the facilities and operations of the recreational clubs, and not to generate revenue.

Thus, it is only the recreational club's *income* which should be subject to taxation, as "the State cannot impose tax on capital as it constitutes an unconstitutional confiscation of property."[23] Thus, membership fees, assessment dues, and other fees of similar nature are not subject to income tax.

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[20] SEC. 4. *Power of the Commissioner to Interpret Tax Laws and to Decide Tax Cases.* — The power to interpret the provisions of this Code and other tax laws shall be under the exclusive and original jurisdiction of the Commissioner, subject to review by the Secretary of Finance.

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[21] *Supra* note 16, citing *Conwi v. Court of Tax Appeals*, G.R. No. L-48532, August 31, 1992, 213 SCRA 83.

[22] *Association of Non-Profit Clubs, Inc. (ANPC) v. Bureau of Internal Revenue*, *supra* note 16, citing *Madrigal v. Rafferty*, 38 Phil. 414 (1918).

[23] *Supra* note 16.

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The Court categorically determined:

In fine, *for as long as* these membership fees, assessment dues, and the like are treated as collections by recreational clubs from their members as inherent consequence of their membership, and are, by nature, intended for the maintenance, preservation, and upkeep of the clubs' general operations and facilities, then these fees cannot be classified as "the income of recreational clubs from whatever source" that are "subject to income tax." Instead, they only form part of capital from which no income tax may be collected or imposed. (Citation omitted).

As to VAT, the Court interpreted that RMC No. 35-2012 erroneously included the gross receipts of recreational clubs on membership fees, assessment dues, and the like as subject to VAT because Section 105 of the 1997 NIRC specified the taxability of only those which deal with the "sale, barter or exchange of goods or properties, or sale of service." In collecting such fees from their members, recreational clubs are not selling any kind of service, in the same way that the members are not procuring service from them. Thus, "there could be no sale, barter or exchange of goods or properties, or sale of a service to speak of, which would then be subject to VAT under the 1997 NIRC."

The Court thus declared that the interpretation of the CIR as embodied in RMC No. 35-2012 was invalid only insofar as the inclusion of fees, which by nature are devoted to the maintenance and upkeep of recreational clubs, within the coverage of income tax and VAT for the CIR exceeded its rule-making authority in such respect. In its *fallo*, the Court pronounced:

WHEREFORE, the petition is **GRANTED**. The Decision dated July 1, 2016 and Order dated November 7, 2016 of the Regional Trial Court of Makati City, Branch 134 in Special Civil Case No. 14-985, are hereby **SET ASIDE**. The Court **DECLARES** that membership fees, assessment dues, and fees of similar nature collected by clubs which are organized and operated exclusively for pleasure, recreation, and other nonprofit purposes do not constitute as: ***(a)*** "the income of recreational clubs of whatever source" that are "subject to

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income tax" and ***(b)*** part of the "gross receipts of recreational clubs" that are "subject to [Value-Added Tax]." Accordingly, Revenue Memorandum Circular No. 35-2012 should be interpreted in accordance with this Decision.

SO ORDERED.

Preliminarily, we recognize our ruling in *Bureau of Internal Revenue v. First E-Bank Tower Condominium Corporation*,[24] citing *Department of Transportation v. Philippine Petroleum Sea Transport Association*[25] and *Diaz v. Secretary of Finance*,[26] which declared that although a petition for declaratory relief was improper when assailing government issuances, yet when the issues have "far-reaching implications and raises questions that need to be resolved for the public good; or if the assailed act or acts of executive officials are alleged to have usurped legislative authority," then a petition for declaratory relief may be treated as a petition for prohibition.

In this case, the validity or invalidity of RMC No. 35-2012 would affect all recreational clubs in the Philippines in their liability to pay both income tax and VAT. Moreover, the BIR, in issuing the same, usurped the power of the legislature. In fact, the *ANPC* case discussed that the "sweeping" inclusion of membership dues, assessment fees and the like in the category of "income" and "sale, barter, exchange of goods or properties or sale of service" in income tax and VAT respectively, the BIR exceeded its rule-making authority.

Considering the ruling of the Court in *ANPC*, which resolved the validity of RMC No. 35-2012, the doctrine of *stare decisis* finds application.

The principle of *stare decisis et non quieta movera* ("to adhere to precedents and not to unsettle things which are established")

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[24] G.R. No. 215801, January 15, 2020.

[25] G.R. No. 230107, July 24, 2018.

[26] 669 Phil. 371 (2011).

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is a bar to any attempt to re-litigate the same issue where the same questions relating to the same event have been put forward by parties similarly situated as in a previous case litigated and decided by a competent court.[27] In other words, it denies the examination and relitigation of issues where the same had already been decided upon, as judicial decisions form part of our legal system.[28]

As such doctrine is grounded upon the stability of judicial decisions, any attempt to abandon any judicial pronouncement requires strong and compelling reasons therefor.[29]

Clearly, the issues in this case mirror that of the issues in *ANPC*. In the absence of a compelling reason warranting the disturbance of the Court's ruling, the decision stands. While the provisions of the 1997 NIRC was amended by Republic Act (RA) No. 10963 (The TRAIN Law), the latter neither changed the definition of "income" insofar as income taxation is concerned nor the coverage of VAT. The *rationale* of the Court in *ANPC* is thus *ad rem*. On this note, the resolution of the Court as to the proper interpretation of the RMC No. 35-2012 and its validity must be upheld. Corollary, the RTC, in declaring the invalidity of the RMC No. 35-2012 in its entirety, is improper.

WHEREFORE, the petition is **PARTLY GRANTED**. The Decision dated April 29, 2016 and Resolution dated August 10, 2016 of the Regional Trial Court of Makati City, Branch 66 are **REVERSED and SET ASIDE** insofar as it declared Revenue Memorandum Circular No. 35-2012 invalid in its entirety.

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[27] See *Tala Realty Services Corp., Inc. v. Banco Filipino Savings & Mortgage Bank*, 488 Phil. 19, 28-30 (2016).

[28] ART. 8. Judicial decisions applying or interpreting the laws or the Constitution shall form a part of the legal system of the Philippines.

[29] See *Lazatin v. Desierto*, 606 Phil. 271, 282-283 (2009).

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Accordingly, the interpretation of the Bureau of Internal Revenue in Revenue Memorandum Circular No. 35-2012 **REMAINS INVALID** insofar as it subjected membership dues, assessment fees, and those of similar nature collected by clubs which are organized and operated exclusively for pleasure, recreation, and other non-profit purposes to income tax and Value-Added Tax.

SO ORDERED.

Peralta, C.J. (Chairperson), Caguioa (Working Chairperson), Lazaro-Javier, and *Lopez, JJ.*, concur.

FIRST DIVISION

[G.R. No. 226761. July 28, 2020]

FIL-AGRO RURAL BANK, INC., through the PHILIPPINE DEPOSIT INSURANCE CORP. (PDIC), as Liquidator, *petitioner*, *vs.* **ANTONIO J. VILLASEÑOR, JR.,** *respondent*.

[G.R. No. 226889. July 28, 2020]

ANTONIO J. VILLASEÑOR, JR., *petitioner*, *vs.* **FIL-AGRO RURAL BANK, INC., through the PHILIPPINE DEPOSIT INSURANCE CORP. (PDIC), as Liquidator and WILFREDA V. VILLASEÑOR,** *respondents*.

SYLLABUS

1. MERCANTILE LAW; BANKS AND BANKING; LIQUIDATION OF A CLOSED BANK; IF THERE IS A JUDICIAL LIQUIDATION OF AN INSOLVENT BANK