STATUTORY CONSTRUCTION — 1959

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Of the cases decided by the Supreme Court during the past year, twenty-one involved questions of statutory interpretation. A majority of these twenty-one cases dealt with tax and revenue legislation; three of them were cases on municipal corporations; two were concerned with labor and tenancy relations; two were criminal cases, and the rest were cases on civil and commercial laws. They are reviewed in this survey under six main headings. A significant feature of the cases under review is the increasing importance given to the *Congressional Record* in the judicial task of ascertaining the legislative intent. This may be partly due to the growing reluctance of the Court to be hemmed in by words.[1]

I. EFFECT AND APPLICATION OF STATUTES

A. *Publication of Statutes*

Statutes imposing penalties and forfeitures, and those which deny or curtail individual rights that are protected by the Constitution should be published before becoming effective. Publication is necessary because if a man is to be charged with knowledge of all his rights and duties under a statute regardless of whether he has read or understood it, fundamental fairness requires that he be given at least the opportunity to discover its existence, its applicability and its meaning. This is particularly cogent in view of the indisputable legal presumption that ignorance of the law excuses no one from compliance therewith.

This principle waa reaffirmed in *People v. De Dios.*[2] The defendant in that case was charged with violation of a municipal ordinance punishing the act of selling fish and other perishable foodstuffs outside of the public market. Found guilty and sentenced to pay a fine, he appealed, contending that when he committed the act imputed to him on December 20, 1954, the ordinance in question was not yet effective as there had been no publication thereof until December 27, 1954. In upholding the contention, the Court held that

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[1] Indeed, no matter how well drafted a statute is, there will usually be "gaps" and ambiguities requiring judicial construction. There are at least two reasons for this: first, the difficulty of foreseeing all of the possible consequences of legislative language in its relation to persons and situations to which it might apply; and secondly, the reluctance of courts in some instances to be hemmed in by words—no matter how articulate—because, for policy reasons, they wish to arrive at a certain result. See COHEN, MATERIALS AND PROBLEMS ON LEGISLATION, 1949 ed., pp. 225-226.

[2] G.R. No. L-11003, August 31, 1959.

"A municipal ordinance inflicting a punishment for its violation must comply with the requirement laid down by the statute.[3] It is an elementary rule of fair play and justice that a reasonable opportunity to be informed must be afforded to the people who are commanded to obey before they can be punished for its violation." The same rule was enunciated in *People v. Que Po Lay*[4] which involved the effectivity of a Central Bank circular.

B. *The Rule Against Retroactivity*

Statutes, as a rule, are prospective and not retroactive in their operation.[5] The reason for the rule is the tendency of retrospective legislation to be unjust and oppressive on account of their liability to unsettle vested rights or disturb the legal effect of prior transactions.[6] Indeed, there is a presumption that the legislature intended its enactment to operate only *in futuro*. This is in accord with the basic idea of legislation which consists in formulating rules for the future, not the past.

In *Philippine National Bank v. Philippine Surety & Insurance Co.*[7], it appears that a letter of credit was opened by plaintiff bank in favor of the Union Garment Company which imported textile goods for the Armed Forces of the Philippines. The letter of credit specified that drafts must be drawn against it and presented or negotiated before December 31, 1950, and its payment was jointly and severally guaranteed by the importer and defendant surety company. On March 12, 1951, the bank sent to the AFP its statement of account. While the payment was awaited by the bank, Rep. Act 601, imposing a 17% special excise tax on foreign exchange was approved and took effect on March 28, 1951. The bank, maintaining that no sale of foreign exchange was deemed to have been consummated until payment is received by it from the AFP, made adjustments in the statement of account with additional interest and bank charges occasioned by the imposition of the new tax.

Rep. Act 601 provides:

> "SEC. 1. Except as herein otherwise provided, there shall be assessed, collected and paid a special excise tax of seventeen per centum (17%) on the value in Philippine peso of foreign exchange sold and/or authorized to be sold by the Central Bank of the Philippines or any of its agents

[3] The provision relating to the effectivity of a municipal ordinance is to be found in Section 2230 of the Revised Administrative Code, which states that "every ordinance shall go into effect on the tenth day after its passage, unless the ordinance shall provide that it shall take effect at an earlier or later date. The ordinance on the day after its passage shall be posted by the municipal secretary at the main entrance of the municipal building."

[4] 50 O.G. 4850.

[5] See Art. 4, CIVIL CODE.

[6] See BLACK, CONSTRUCTION AND INTERPRETATION OF THE LAWS, 2nd ed. pp. 380-381.

[7] G.R. No. L-12698, March 23, 1959.

during the period of two years counted from the date of the approval of this Act."

The only issue is whether or not the 17% special excise tax could properly be imposed upon the foreign transaction in question. Citing the recent case of *Belman Compañia Incorporada v. Central Bank* [8], the Court held that the said transaction is not subject to the tax because the drafts were executed, presented and became payable before the effectivity of Rep. Act 601. It declared that "it is the date of payment of the amount in foreign currency to the creditor in his country by the agent or correspondent bank of the bank in the country of the debtor that turns from executory to executed or consummated contract. It is not the date of payment by the debtor to the bank in his country of the amount of foreign exchange sold that makes the contract executed or consummated because the bank may grant the debtor extension of time to pay such debt."

C. *Effect of Repeal*

Where a statute is repealed without reenactment of the repealed law in substantially the same terms and there is no saving clause or a general statute limiting the effect of the repeal, the repealed statute, in regard to its operative effect, is considered as if it had not existed except as to matters and transactions past and closed. In other words, the repeal of a law does not affect what had been concluded under the old law. Neither does it render illegal whatever was done or ordered pursuant to the provisions of the repealed law, as was held in the recent case of *Ramos v. The Municipal Council of Daet* [9]. The petitioner in that case was operating a cabaret in Daet, which stood 183 meters from the Roman Catholic church and about 150 meters from Briola's Hospital. It was ordered closed by the local authorities on September 6, 1954 because it violated Rep. Act 979 which prohibited the operation of any cabaret within 500 meters from any church or hospital. On May 17, 1955, Rep. Act 1224 was enacted. Said Act provides in part as follows:

"x x x no such places of amusement mentioned herein shall be established, maintained and/or operated within a radius of *two hundred lineal meters* in the case of night clubs, cabarets, x x x *from any public building, schools, hospitals and churches:* Provided further, That no municipal or city ordinance fixing distance at which such places of amusement may be established or operated shall apply to those already licensed and operating at the time of the enactment of such municipal or city ordinance, nor will the subsequent opening of any public building or other premises from which distance etc. x x x Provided, furthermore, That no minor shall be admitted to any bar, saloon, cabaret or night club employing hostesses; and provided, finally, That this Act shall not apply to establishments

[8] G.R. No. L-10295, November 29, 1958.
[9] G.R. No. L-12520, January 31, 1959.

> operating by virtue of Commonwealth Act Numbered Four hundred eighty-five nor to any establishment already in operation when Republic Act Numbered Nine hundred seventy-nine took effect." (Underscoring ours)

It is claimed by petitioner that under such legislation he had a right to resume operation and re-open his establishment at its former site for the reason that, although Rep. Act 1224 prohibits the operation of cabarets within 200 meters from any church or hospital, the same Act expressly provided that it "shall not apply x x x to any establishment already in operation when Rep. Act 979 took effect." It is contended by respondent, on the other hand, that in providing that its provisions and/or new restrictions shall not apply to those establishments already operating when Rep. Act 979 took effect, Rep. Act 1224 did not intend entirely to do away with the restrictions in Rep. Act 979, one if which related to distances from churches and hospitals. In other words, it is the stand of petitioner that Rep. Act 1224 has not only absolutely repealed the former law but, by the last proviso, it has also rendered illegal what had been done pursuant to its provisions. In rejecting this view the Court declared that "the last proviso in Rep. Act 1224 meant merely that its provisions (including new restrictions) shall not apply to those establishments already in operation on May 21, 1954 when Rep. Act 979 took effect; as to these Rep. Act 979 shall continue to govern. In other words, the proviso did not mean to legalize all those establishments illegally operating on May 21, 1954, or to exempt them from regulation. Rep. Act 979 in so far as those establishments were concerned." The Court further stated "that if, as maintained by the petitioner, the last proviso repealed Rep. Act 979, then it must be held that Com. Act 485, permitting bets in the game Basque Pelota, was likewise repealed since such final proviso also exempts establishments operating under Com. Act 485, and it is now illegal to bet in the Jai Alai."

But even granting arguendo that Rep. Act 979 was repealed, the Court declared that such repeal does not *ipso facto* and retroactively render the closing of petitioner's establishment, which was legal at that time, illegal. In other words, the repeal of a law does not render illegal what was done or ordered pursuant to its provisions. The Court quoted *Corpus Juris Secundum* on the effect of repeal, as follows:

> " x x x the repeal of a statute will not operate to impair rights vested under it, or to revive rights lost or taken away under the repealed statute, or to affect acts performed or suits commenced, prosecuted, and concluded under the former law; and the repeal of a statute does not undo or set aside consequences of its operation while in force unless so directed by express language or necessary implication." (Vol. 82, p. 1009)

II. LITERAL AND GRAMMATICAL CONSTRUCTION

A. *Literal Interpretation*

When the language of the statute is plain and free from ambiguity, and expresses a single and definite meaning, it must be interpreted literally and given effect as that meaning is conclusively presumed to be the meaning which the legislature intended to convey. In other words, it must be construed to mean exactly what it says. This rule expresses what is referred to as literal interpretation or, as it is sometimes called, the doctrine of literalness or the plain meaning rule. The courts in such case should not hesitate to give the statute a literal interpretation even if they have doubts as to the wisdom or expediency of the enactment or because it might produce hardship and inconvenience. Likewise, the courts cannot read into the statute something that is not within the manifest language for to depart from the meaning expressed by the words is to alter the statute, to legislate and not to interpret, and judicial legislation should be avoided.

This cardinal rule of statutory interpretation was utilized by the Court in deciding one of the principal issues involved in the case of *Bisaya Land Transportation Co. v. Collector of Internal Revenue* [10]. The petitioner is engaged in the transportation business in Cebu. It was assessed by the respondent Collector of Internal Revenue for certain taxes which it paid under protest. This action was brought for the refund of the amount paid. One of the questions for determination relates to the compensating tax on certain equipment that petitioner had acquired from the United States Commercial Company between June, 1945 and January 15, 1957. The petitioner claims that its liability for this tax has already prescribed, alleging that it is the 5-year prescriptive period provided for in Sec. 331 of the Tax Code and not the 10-year period mentioned in Sec. 332(a), which was relied upon the Court of Tax Appeals, that should apply to the instant case, even if there was no tax return filed.

Said sections of the Tax Code provide:

> "Section 331.—Except as provided in the succeeding section, internal revenue taxes shall be assessed within *five* years *after the return was filed*, and no proceeding in court without assessment for the collection of such taxes shall be begun after the expiration of such period. x x x."
>
> "Section 332 (a).—In the case of a false or fraudulent return with intent to evade tax or of a failure to file a return, the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time within ten years after the discovery of the falsity, fraud, or omission."

[10] G.R. Nos. L-11812 and L-12100.

It is argued by the petitioner that section 331 applies, or must apply in all cases, regardless of whether a return has been filed or not since it is absurd to make the 5-year period of prescription to start from the tax return, when there can be no such return as the law requires none. The Court rejected the argument on the following grounds:

> "Apart from being contrary to the plain language of the law, it conveniently overlooks the theory of the lower court, namely, that said provision is inapplicable when no return has been filed, and that, in such event, section 332 (a) is controlling. Moreover, it presupposes, erroneously, that there may be no return when its filing is not explicitly required by law. Again, it advocates, in effect, an amendment of the law through the addition—by judicial pronouncement—to the unqualified clause 'five (5) years after the return was filed', of the phrase 'when the same is required by law."

The Court further declared:

> "To our mind, the pertinent provisions of our Tax Code are clear enough to warrant a reasonable interpretation. There are instances, as in the case of income tax, in which the Code requires the filing of a return under penalty of criminal prosecution. In such cases, the failure to file the return would have two (2) effects, namely: (1) the guilty party may be prosecuted criminally, and (2) he is deprived of the benefits of section 331—that is to say, the Collector of Internal Revenue may make the corresponding assessment within ten (10) years, as prescribed in section 332(a). When there is no explicit provision imposing the duty to file a return, and penalizing non-compliance therewith, but, the tax is such that its amount cannot be ascertained without data pertinent thereto, the Collector of Internal Revenue may by appropriate regulations require the filing of the necessary returns. In any event, with or without such regulations, it is to the interest of the taxpayer to file said return, if he wishes to avail himself of the benefits of section 331. If, this notwithstanding, he does not file a return, then an assessment may be made within the time stated in section 332(a)."

B. *The Rule of Ejusdem Generis*

Where general words follow an enumeration of persons or things, by words of a particular and specific meaning, such general words are not to be construed in their widest sense but are to be held as applying only to persons or things of the same general kind or class as those specifically mentioned. This expresses what is known as the rule of "ejusdem generis", also referred to as Lord Tenderden's rule.[11]

[11] The doctrine is of ancient use in the ascertainment of the legislative intent, and it has been accorded the weight of being "well-established and useful."—Helvering v. Stockholms Enskilda Bank, 293 U.S. 84.

A recent application of the rule was made by the Court in the case of *Fores v. Miranda,*[12] in interpreting the phrase "analogous cases" used in Article 2219 of the Civil Code, with reference to the question of whether or not moral damages are recoverable in damage suits predicated on a breach of the contract of transportation. It appears that the respondent was one of the five passengers of a jeepney owned by the petitioner who were injured in an accident caused by the negligence of the driver. In an action brought by the respondent to enforce the civil liability of the petitioner, owner of the jeepney, the lower court ordered moral damages to be paid to the respondent. In resolving the question on appeal, the Court held, following the ruling in *Cachero v. Manila Yellow Taxicab* [13] and *Necesito v. Paras* [14] that moral damages are not recoverable in damage actions predicated on a breach of the contract of transportation, in view of the provisions of Articles 2219 and 2220 of the Civil Code, except in a mishap resulting in the death of a passenger, in which case Article 1764 makes the common carrier expressly subject to the rule of Article 2206 that entitles the spouse, descendants and ascendants of the deceased passenger to "demand moral damages for mental anguish by reason of the death of the deceased." (Necesito v. Paras, *supra*) Articles 2219 and 2220 of the Civil Code provide as follows:

> "Art. 2219. Moral damages may be recovered in the following and *analogous cases:*
>
> (1) A criminal offense resulting in physical injuries;
>
> (2) Quasi-delicts causing physical injuries;
>
> "Art. 2220. Willful injury to property may be a legal ground for awarding moral damages if the court should find that, under the circumstances, such damages are justly due. The same rule applies to breaches of contract where the defendant acted fraudulently or in bad faith."

The Court said that by "contrasting the provisions of these two articles it immediately becomes apparent that: (a) In cases of breach of contract (including one of transportation) proof of bad faith or fraud (dolus), i.e., wanton or deliberately injurious conduct, is essential to justify an award of moral damages; and (b) That a breach of contract can not be considered included in the descriptive term 'analogous cases' used in Art. 2219; not only because Art. 2220 specifically provides for the damages that are caused by contractual breach, but because the definition of *quasi-delict* in Art. 2176 of the Code expressly *excludes* the cases where there is a 'pre-existing contractual relation between the parties.' "

[12] G.R. No. L-12163, March 4, 1959.
[13] G.R. No. L-8721, May 23, 1957.
[14] G.R. No. L-10605-10606, June 30, 1958.

1. *Limitation of the Rule*

It is necessary for the application of the rule of *ejusdem generis* that there is not clearly manifested in the statute an intent to give the general term a broader meaning than the doctrine requires, otherwise it would operate to defeat the purpose of the law. This important qualification of the rule constituted the *ratio decidendi* in the case of *Philippine American Drug Co. v. Collecter of Internal Revenue* [15]. The issue there is whether or not the difference of ₱0.015, representing bank premium on the dollar purchased by the importer-petitioner should form part of the landed cost of the imported articles for purposes of computing the advance sales tax imposed by Section 183(B) of the Tax Code, which in part provides:

> "Sec. 183. *Payment of percentage taxes.*—
> x x x x;
> (B) *Sales tax on imported articles.* When the articles are imported, the percentage taxes x x x shall be paid in advance by the importer, x x x and prior to the release of such articles from custom's custody, based on the *import invoice value thereof*, certified to as correct by the Philippine Consul at the port of origin if there is any, including freight, postage, insurance, commission, customs duty, and *all similar charges*, x x x."

The Court held, following the ruling in *Genato Commercial Co. v. The Court of Tax Appeals,*[16] that the afore-mentioned bank premium falls under the category of charges enumerated in the above-quoted provision of the Tax Code as it is the intention of Congress to include in the assessment all charges, whether specified or otherwise, which an importer has to pay to complete his importation. In view of this contrary legislative intent, the Court refused to apply the rule of *ejusdem generis,* which petitioner invoked in support of its argument that "said bank premium cannot be included in the assessment because they are not similar to the charges specifically mentioned in the law", saying:

> "The doctrine of *ejusdem generis* is but a rule of construction adopted as an aid to ascertain and give effect to the legislative intent when that intent is uncertain or ambiguous, but the same should not be given such wide application that would operate to defeat the purpose of the law. In other words, the doctrine is not of universal application. Its application must yield to the manifest intent of Congress." (State v. Prather, 21 LRA 23, 25).

III. INTRINSIC AIDS TO CONSTRUCTION

A. *Headnotes and Epigraphs*

In case of ambiguity of the text, the chapter, article and section headings may be consulted in ascertaining the meaning of the

[15] G.R. No. L-13032, August 31, 1959.
[16] G.R. No. L-11727, September 29, 1958.

language used, but inferences drawn from such sources are entitled to very little weight and they can never control the plain terms of the statute.[17]

The reason for the rule is that "such headings and subtitles are not a part of the law and are not the subject of deliberation and enactment on the part of the legislative body but are inserted by a compiler or editor for mere purposes of reference or classification and hence cannot be taken as furnishing any indication of the meaning and intent of the legislature in enacting particular clauses of the statute, nor anything more than the personal opinion of their unknown author." [18]

The rule was reaffirmed in *Commissioner of Customs v. Lt. Col. Leopoldo R. Relunia* [19]. It appears that sometime in 1954 the RPS "MISAMIS ORIENTAL", a unit of the Philippine Navy, brought into the Philippines, after it had made trips between Korea and Japan, various unmanifested articles subject to customs duties. All these articles were forfeited by the Collector of Customs of Manila, pursuant to Section 1363(g) of the Administrative Cole:

> "Sec. 1363. *Property subject to forfeiture under customs laws.*—Vessels, cargo, merchandise, and other objects and things shall, under the conditions herein below specified, be subject to forfeiture:
>
> (g) Unmanifested merchandise found on any vessel, a manifest therefor being required."

The Court of Tax Appeals declared the forfeiture illegal and the Commissioner of Customs appealed. The only question for determination is whether or not a manifest is required of the MPS "MISAMIS ORIENTAL". It was argued by petitioner that Sections 1221, 1225 and 1228 of the Administrative Code require masters of Government vessels to submit cargo manifests. But the Court of Tax Appeals held that the RPS "MISAMIS ORIENTAL" was not required to present any manifest to the customs authorities upon its arrival in Manila because Sections 1221, 1225 and 1228 of the Administrative Code relied upon are found under Article VI of the Customs Law, the title of which reads: "Entrance of vessels in foreign trade"; that the said Article lays down rules governing entry of vessels engaged in foreign trade; and that inasmuch as the navy vessel in question was not engaged in foreign trade it was not required to submit the manifest provided for in Section 1225. In other words, it is the view of the Court of Tax Appeals that under said Article VI of the Customs Law, including the different sections of

[17] See Black, p. 258
[18] Black, *op. cit.*, p. 258
[19] G.R. No. L-11860, May 29, 1959

the Administrative Code under it, only vessels engaged in foreign trade are required to submit manifests upon entering any Philippine port. In rejecting this view the Court declared that "The Tax Court apparently over-looked the reason behind the requirement of presenting a manifest and allowed itself to be swayed by the title of the law. Resort to the title of a statute as an aid in interpretation thereof is an unsafe criterion, and is not entitled to much weight. (50 Am. Jur. 301) The title can be resorted to as an aid where there is doubt as to the meaning of the law or the intention of the legislature in enacting it, not otherwise."

IV. EXTRINSIC AIDS

A. *Legislative Debates*

As a general rule, the statements made by individual members of the legislature during the debate on the bill on the floor of each legislative house following its presentation by a standing committee are inadmissible as aid in construing the statute. In the earlier cases the rule had been strictly adhered to and the courts had refused altogether to consider these extrinsic aids.[20] This judicial attitude towards legislative debates, however, has been gradually relaxed in the later cases, and the courts, taking a more realistic view of legislative procedure, have now considered these materials as relevant in interpretation. They have been utilized not to explain the meaning of the statute but to discover the purpose and scope of the enactment, and the evil sought to be remedied thereby, for from the statements of individual legislators as to the situation requiring legislation, it can be implied that the legislature had intended to remedy by the statute it has enacted the evils described.[21] Following this trend, our Supreme Court has freely made use of these legislative materials, which are found in the Congressional Record [22], whenever the legislative purpose needs to be illumined. This usually happens when a new law has to be interpreted and applied for, indeed, as pointed out by Dwarris, "all new laws, though penned with the greatest technical skill and passed upon by the fullest and most mature deliberation, are considered as more or less obscure and equivocal until their meaning be fixed and ascertained by a series of particular discussions and adjudications." In at least three cases decided last year, the Court availed itself of the Congressional Record to shed light on the legislative intent. These are the cases of

[20] See Duplex v. Deering, 254 U.S. 443, and U.S. v. Trans-Missouri Freight Assn. 166 U.S. 290, for the reasons of the rule.

[21] Federal Trade Commission v. Raladam Co., 283 U.S. 643; American Net and Twine Co. v. Worthington, 141 U.S. 468. See also "Legislative Materials to Aid Statutory Interpretation", 50 Harv. L. Rev. 882 (1957).

[22] Publications of Congress containing the minutes of proceedings had in each House, including the history of bills and resolutions, explanatory note, committee reports and the debates on the floor.

Gutierrez v. Bachrach Motor Co.[23], which involved the determination of the legislative purpose in enacting Rep. Act 1052, entitled "An Act to Provide for the Manner of Terminating Employment Without a Definite Period in Commercial, Industrial or Agricultural Establishment or Enterprise"; *Shell Company of the Philippines v. Municipality of Sipocot* [24], where the issue turned on the interpretation of a disputed provision of Rep. Act 1435, which authorized municipalities to levy an additional tax on manufactured oils and other petroleum products; and the case of *Joya v. Pareja* [25], wherein Section 9 of Rep. Act 1199, as amended by Rep. Act 2263, otherwise known as the Agricultural Tenancy Act, was the subject of judicial exposition.

In the *Gutierrez* case, it appears that the plaintiff was a temporary employee of defendant's transportation company. He was dismissed for an alleged lung ailment and for disrespect and insubordination. Claiming that he was unjustly dismissed, he commenced the present action. The trial court ordered his reinstatement and sentenced the defendant to pay him moral damages and attorney's fees. On appeal, the question presented is—Assuming that there was no sufficient ground for plaintiff's dismissal, was the defendant justified in dismissing him without cause? In a split decision of 6 to 4, the Court resolved the question in the affirmative, holding "that in the absence of a contract of employment for a specific period, just as an employed in a commercial or industrial establishment may quit at any time, singly or collectively, with or without cause, so the employer can dismiss any employee at any time and without cause." It stated that "this right of the employer x x x has always been recognized in this jurisdiction", for under Art. 302 of the Code of Commerce "where the contract does not have a fixed period, anyone of the parties (employer and employee) may terminate it upon giving one month advance notice thereof to the other; in the absence of such motive the employee laid off or dismissed is entitled to one month pay or *mesada*. x x x Because of the repeal of Art. 302 of the Code of Commerce by the new Civil Code, and because of said repeal, Congress felt that in the absence of a contract of employment for a fixed period, employees and laborers dismissed without cause, were no longer entitled to the *mesada*, even in the absence of notice of dismissal or lay off, Rep. Act 1052 was passed." To support its interpretation that this right of the employer to dismiss his employee without cause is still recognized in the new law (Rep. Act 1052), the Court referred to the

[23] G.R. Nos. L-11298, 11586 and 11603, January 19, 1959.
[24] G.R. No. L-12680, March 20, 1959.
[25] G.R. No. L-13258, November 28, 1959.

legislative proceedings had in both houses of Congress when the Act in the form of a bill was dismissed. These consisted in the explanatory note to the bill as sponsored in the Senate by Senator Primicias and in the lower house by Congressman Tolentino, and the statement made by Senators Primicias and Sumulong during the discussion of the bill in the Senate, all of which pointed to the purpose of enacting the said Act which is to "fill the void left" by the repeal of Art. 302 of the Code of Commerce by the new Civil Code.

In the *Shell* case, these legislative materials were utilized not only to discover the legislative design but also to ascertain the meaning of certain words used in the statute. It appears in said case that defendant passed an ordinance imposing an additional tax, not exceeding 25% of the rates fixed under Rep. Act 1435, on manufactured oils and other petroleum products *sold* and *distributed* within the municipality of Sipocot. The question before the Court is the determination of taxable *situs* of the property sought to be taxed. The lower court ruled that all the oils purchased from and sold in the Sipocot depot of plaintiff were taxable, even if the same were delivered outside the territory of the municipality. On appeal this ruling was reversed, the Supreme Court holding that the taxable *situs* of the property should be where the same is used, which ordinarily is the place of delivery. It declared that "From the explanatory note and the general discussion in Congress over the bill (House Bill No. 5288), it can be readily gathered that one of the main purposes for the enactment of the law was to provide for the construction and the improvement of principal road systems in municipalities. (Congressional Record, House of Rep., Vol. III, No. 67, pp. 2093 et seq.) The logical conclusion would accordingly follow that the taxable *situs* of the property sought to be taxed should be where the same is used. This place is ordinarily the place of delivery. x x x." The Court also held that the word "distributed" used in the Act should be taken to be identical or synonymous with "sold" for this was the meaning attached to it by Congress in approving the bill, as shown by the statements made by Congressmen Fortich and Macias during the discussion of House Bill No. 5288, which appear in the Congressional Record, as follows:

> "Mr. MACIAS. Section 3. Municipal Board or Council, etc., may levy an additional tax of not more than 25 per cent on all manufactured oil sold or distributed. What does the gentleman mean by the word 'distributed'?
>
> Mr. FORTICH. Distributed by gasoline stations.
>
> Mr. MACIAS. Not being sold?
>
> Mr. FORTICH. Gasoline sold.
>
> Mr. MACIAS. So that the word 'distributed' has the same meaning

as the word 'sold'.

Mr. FORTICH. Yes.

Mr. MACIAS. So if the owner, for instance, in one town distributes to its various agencies in the town, without selling the oil or gasoline it will be beyond the authority of the council concerned.

Mr. FORTICH. If there is no sale involved, *but if there is payment* in the transaction, then it will come under the provision of this section.

Mr. MACIAS. In connection with this case, for instance I am a small distributor in my town. The oil is discharged at the city of Dumaguete where it is used and taxed with an additional two centavos per liter. And as I am in Dumaguete, I distribute the oil there and so I have to pay the two centavos. Let us assume that this is approved, therefore, the council may impose the two centavo additional tax.

Mr. FORTICH. That is correct.

Mr. MACIAS. Very well, then I buy one ton in order that in my small town of Siaton, I, a merchant, can sell it, and the council will impose an additional tax of two centavos.

Mr. FORTICH. That should not be." (House of Representatives, 3rd Congress, Vol. III, No. 67, p. 2099)

In the *Joya* case, the Court also referred to the Congressional Record in construing Section 9 of the Agricultural Tenancy Act (Rep. Act 1199, as amended by Rep. Act 2263) which provides for the severance of tenancy relationship. It appears that respondent Pareja was a tenant for 16 years of the land which Maximina Bondad had leased from Florentino Joya. After the termination of the lease of Bondad, the land was subsequently leased to Domingo Joya and Juan Tahimic, as a result of which Pareja was forced to surrender the land to the latter. The question for determination is "whether the tenant of a lessee retains the right to work on the land despite the termination of the lease, or in other words, whether his being a tenant of the lessee makes him, upon the expiration of the contract, a tenant of the lessor." The Court resolved the question in the affirmative in view of Section 9 of Rep. Act 1199, as amended by Section 3 of Rep. Act 2263, which in part reads:

"Sec. 9. *Severance of Relations.*—The tenancy relationship is extinguished by the voluntary surrender or abandonment of the land by, or the death or incapacity of the tenant; x x x

The expiration of the period of the contract as fixed by the parties, or the sale, alienation or *transfer of legal possession of the land does not of itself extinguish the relationship.* In the *latter case, the purchaser or transferee shall assume the rights and obligations of the former landholder in relation to the tenant.* In case of death of the landholder, his heir or heirs shall likewise assume his rights and obligations. (Emphasis supplied)

In dismissing petitioner's claim that "to hold that the lessee's tenant, with whom he had no dealing whatsoever, automatically be-

comes his tenant upon the return of the property to him would constitute a restraint on his right to enter into contract and deprive him of his liberty (to contract) and property without due process of law", the Court pointed out that "This same contention was raised during the deliberations of the then Senate Bill 119, but Congress decided to implement its policy and objective in adopting the Agricultural Tenancy Law and passed the bill in its present form." It quoted the following statements from the Congressional Record:

> "SENATOR PRIMICIAS. On the severance of relationships of tenant and landowner, it seems that there is an intention on the part of your Honor to amend Section 9 of the Act so as to include the transfer of legal possession of land in one or two cases which do not extinguish the relationship. x x x.
>
> SENATOR PELAEZ. I would say that this afternoon, in the Committee on Revision of Laws, we were considering amendments to the effect that the present tenants must have the priority right, and I think we should give priority to those tenants who are there and that *any transfer* of lands should not affect them the least.
>
> SENATOR PRIMICIAS. x x x. Does your Honor think that the landowner is not entitled to transfer the lease to another person even if the price offered is better?
>
> SENATOR PELAEZ. Under the present law, he cannot do it.
>
> SENATOR PRIMICIAS. Would that not constitute a deprivation of property without due process of law?
>
> SENATOR PELAEZ. It is deprivation of property without due process of law. It is in the present law. But we have to remember here social values and human values against material values. Precisely, the agricultural tenancy act remedied an existing evil because before the agricultural tenancy act provided for security of these poor tenants, they were pushed out of the land by the landlords. x x x." (Senate Congressional Record, Vol. I, No. 54, April 21, 1958, pp. 905-906)

B. *Administrative or Executive Interpretation*

Executive and administrative officers are often called upon to interpret certain statutes long before the courts may have an occasion to construe them. Such interpretation is referred to as administrative or practical construction. The power to interpret a statute, being primarily a judicial function, the construction placed upon a statute by executive or administrative authority is not necessarily binding upon the courts. Although not controlling, it is nevertheless entitled to some weight. With respect to its probative value, American courts have established in recent cases a distinction between two types of administrative interpretation: those made by administrative officials charged with the enforcement of the law and those handed down in adversary proceedings, otherwise known as decisions *inter partes* by pointing out that while the latter is entitled to respectful consideration, the former is not as authoritative. As

Judge Learned Hand has explained in one case: "There is indeed a basis for making such a distinction because the position of a public officer charged with the enforcement of a law is different from the one who must decide a dispute. If there is a fair doubt, his duty is to present the case for the side which he represents and leave the decision to the court or the administrative tribunal upon which lies the responsibility of decision. If he surrenders a plausible construction, it will, at least it may, be surrendered forever, and yet it may be right. Since such rulings need not have the detachment of a judicial or semi-judicial decision, and may properly carry a bias, it would seem that they should not be authoritative."[26] Other factors that determine the weight and force of administrative interpretation is its uniformity and the length of time it has been acted and relied upon. And, as in the case of judicial construction, the force of an administrative interpretation is greatly enhanced when the statutory provision that has been interpreted is re-enacted or adopted by the legislature in substantially the same terms.[27]

This difference in the probative value of the two types of administrative interpretation, coupled with the fact that statutory interpretation is primarily a judicial function, may partly explain why the Court rejected the administrative interpretation that was asserted in at least two cases decided last year. This occurred in the cases of *The Collector of Internal Revenue v. Manila Lodge No. 761 of the BPOE* (Benevolent and Protective Order of Elks)[28], and *Philippine National Bank v. Ramon Ereneta*[29].

In the *Elks Club* case, the question before the Court is whether or not the respondent is liable for privilege taxes on its sale by retail of liquor and tobacco exclusively to its members, which hinges upon the proper interpretation and application of the pertinent provisions of the Tax Code, namely, subsections (i), (k) and (n) of Section 193 in relation to Section 178, which read as follows:

> "Sec. 178. *Payment of privilege taxes.*—A privilege tax must be paid before *any business* of occupation hereinafter specified can be lawfully begun or pursued. The tax on *business* is payable for every separate or distinct establishment or place *where the business subject to the tax is conducted;* x x x.
>
> "Sec. 193. *Amount of tax on business.*—Fixed taxes on business shall be collected as follows, the amount stated being for the whole year, when not otherwise specified:
>
> (i) Retail liquor dealers, one hundred pesos.

[26] Fishgold v. Sullivan, 154 F. 2d. 785.
[27] See Helvering v. Hallock, 309 U.S. 106; International Autobus Co. v. Collector of Internal Revenue, 52 O.G. 791.
[28] G.R. No. L-11176, June 29, 1959.
[29] G.R. No. L-13058, August 28, 1959.

(k) Retail dealers in fermented liquors, fifty pesos.

(n) Wholesale tobacco dealers, sixty pesos; retail tobacco dealers, sixteen pesos."

In holding that the respondent is not subject to the afore-mentioned privilege taxes, the Court declared that said privilege taxes "are to be imposed only on persons or entities who engage in the activities mentioned or classified therein for *business purposes*. This evident intention of the law becomes more palpable when we take into consideration the fact that the drafters of our Tax Code had grouped the aforequoted provisions of law under one general division of the Tax Code headed as "Title V, Privilege Taxes on Business and Occupation. "

Petitioner, however, insists that the respondent should pay the privilege taxes because this has been allegedly the practice consistently followed by the Bureau of Internal Revenue since 1921, and because Section 1464 of the Revised Administrative Code under which said ruling was then based had been reenacted by the Legislature as Section 193 of the National Internal Revenue Code. Thus, respondent contends, that the policy of the Bureau of Internal Revenue has therefore gained 'approval by legislative reenactment.' In disposing of this contention, the Court declared:

"x x x While there is admittedly a ruling on this point in 1921, there is no showing that such has been a long continued practice. Be that as it may, any such administrative construction must be within the ambit of, and must be consistent with, the Revised Administrative Code and the Tax Code. It is likewise the rule that where the statute is unambiguous, an administrative construction is unwarranted (U. S. v. Missouri R.R. Co. 278 U.S. 269) and no construction may be made to restrict or enlarge the meaning of an Act. (Blatt v. U. S., 305 U. S. 267)".

"x x x The policy or principle followed by the Revised Administrative Code regarding privilege taxes, i.e. that the privilege taxes are payable only by those persons or entities engaged in the business enumerated in Section 1464 of the said Code, has not suffered any change, and the same still obtains under our present Tax Code. In the absence of a showing that the legislative body had been apprised of the aforesaid ruling, what has gained legislative approval thru reenactment is, we believe, the policy behind the above-mentioned provision of the Revised Administrative Code of taxing persons engaged in business and not the alleged practice following the administrative ruling of 1921. We believe that no amount of trenchant adherence to an established practice may justify its continued application where it is clear and manifest that the same is not in consonance with the policy of the legislature as defined by law."

In the other case, the issue presented is whether the acceptance of backpay certificates in payment of debts is only permissible and discretionary on the part of the government corporations, like the

Philippine National Bank, under the provisions of Section 2 of Rep. Act 897, which read as follows:

> "'x x x Provided, That upon application and subject to such rules and regulations as may be approved by the Secretary of Finance a certificate of indebtedness may be issued by the Treasurer of the Philippines covering the whole or a part of the total salaries or wages the right to which has been duly acknowledged and recognized, provided that the face value of such certificate of indebtedness shall not exceed the amount that the applicant may need for the payment of (1) obligation subsisting at the time of the approval of the amendatory Act for which the applicant may directly be liable or to any of its branches or instrumentalities, or the corporations owned or controlled by the Government, or to any citizen of the Philippines, or to any association or corporation organized under the laws of the Philippines, who may be willing to accept the same for such settlement. x x x."

Adhering to its ruling in *Florentino v. Philippine National Bank* [30] and *Sabelino v. RFC* [31], the Court held that the acceptance of the backpay certificates in payment of debts, while discretionary on the part of any citizen or private association or corporation, is obligatory upon government corporations, like the plaintiff bank. The Court also rejected, without explanation, the alleged contrary executive construction that has been placed on the provisions of Rep-Act 897 upon which the lower court based its decision.[32]

V. COMPARATIVE CONSTRUCTION

In order to determine the true intention of the legislature, the whole and every part of the statute must be considered. This rule embodies what is known as comparative construction which is that method of interpretation which seeks to arrive at the meaning of a statute by comparing its several parts with each other, and also by comparing it as a whole with other laws proceeding from the same source and referring to the same general object.[33] The rule rests upon the fact "That a statute is passed as a whole and not in parts or sections, and is animated by one general purpose and intent. Consequently, each part or section should be construed in connection with every other part or section so as to produce a harmonious whole."[34]

The rule was utilized by the Court in the recent cases of *The Collector of Internal Revenue v. Manila Lodge No. 761 of the BPOE* [35]

[30] 52 O.G., No. 5, p. 2522.
[31] G.R. No. L-1179, September 30, 1958.
[32] The alleged executive construction, being contrary to previous judicial interpretation of the same statutory provision rendered in the *Florentino* and *Sabelino* cases, should be deemed overruled.
[33] Black, p. 317.
[34] *In re Public Nat. Bank of N.Y.*, 278 U.S. 555.
[35] Reviewed under the topic—ADMINISTRATIVE INTERPRETATION.

and *Gavina Perez v. Jose C. Zulueta* [36]. In the *Elks Club case,* it is urged by the petitioner, Collector of Internal Revenue, with reference to the interpretation of Section 193 of the Tax Code, that emphasis should be placed not on the term "business", but on the phrases "retail liquor dealer", "retail dealer in fermented liquors" and "retail tobacco dealer", as they are defined in Section 194 of the same Code, as follows:

> "Sec. 194. *Words and phrases defined.*—In applying the provisions of the preceding section, words and phrases shall be taken in the sense and extension indicated below;
>
> x x x x x x x x
>
> (i) 'Retail liquor dealer' includes every person, except a retail vino dealer, who for himself or on commission sells or offers for sale wine or distilled spirits (other than denatured alcohol) in quantities of five liters or less at any one time and not for resale.
>
> x x x x x x x x
>
> (k) 'Retail dealer in fermented liquors' includes every person who for himself or on commission sells or offers for sale fermented liquors in quantities of five liters or less at any one time and not for resale, except retail dealers in *tuba, basi,* and *tapuy.*
>
> x x x x x x x x
>
> (o) x x x; retail tobacco dealer comprehends every person who for himself or on commission sells or offers for sale not more than two hundred cigars, not more than eight hundred cigarettes, or not more than five kilos of manufactured tobacco at any one time and not for resale. (As amended by sec. 3, Rep. Act No. 42.)

In dismissing petitioner's contention, the Court declared that "while these definitions must be given all the weight due thereto in the interpretation of Section 193 of the Tax Code x x x the phrases above referred to are, however, part and parcel of the provisions contained not only in said Section 193, but also in Section 178 and other parts of the Tax Code, all of which must be given effect in their entirety, as a harmonious, coordinated and integrated unit, not as a mass of heterogeneous and unrelated, if not incongruous terms, clauses and sentences."

In the other case, it appears that plaintiffs sold a parcel of land to defendant, subject to their right to repurchase within one year. As the vendors failed to repurchase, defendant took steps to consolidate his title to the land. This gave rise to a court action wherein plaintiffs alleged the contract to be a mortgage disguised as *pacto de retro.* The trial court gave judgment for the plaintiffs, holding the contract to be a mortgage, but on appeal, the decision was reversed, the Court of Appeals holding the contract to be a true *pacto de retro* sale, but reserving, however, to the plaintiffs the right to make repurchase in accordance with par. 3 of Art. 1606 of the new

[36] G.R. No. L-10374, September 30, 1959.

Civil Code. The plaintiffs applied to the Supreme Court for review on certiorari but their petition was denied by resolution of June 24, 1955, notice of which they received on June 29, 1955. At no time did they move to reconsider. On August 2, 1955, defendant renewed his efforts to consolidate his title by filing a petition in court, alleging that plaintiffs had failed to exercise their reserved right to repurchase within 30 days, which plaintiffs opposed on the ground that the 30-day period had not yet elapsed. Thereafter by letter of August 10, 1955, they demanded from defendant the reconveyance of the property, offering to repay the price; and upon his refusal, they filed in court a petition that he be required to recovery. The petition having been granted, defendant appealed to the Supreme Court. The main issue hinges upon the interpretation of Art. 1606 of the Civil Code, a new provision, which gives the vendor *a retro* "the right to repurchase within thirty days from the time final judgment was rendered in a civil action, on the basis that the contract was a true sale with the right to repurchase", and concerns the counting of such 30-day period. Defendant says it should start from June 24, 1955, when the Court upheld by resolution the appellate court's decision; whereas plaintiffs contend "the period commenced to run only on July 15, 1955, after the day the resolution of June 24 becomes final."

The Court, sustaining plaintiff's contention held that Art. 1606 should be interpreted to mean that the vendor (whose claim as mortgagor had definitely been rejected) may still have the privilege of repurchasing within 30 days after the courts have decided by a *final or executory* judgment that the contract was a *pacto de retro* and not a mortgage. In arriving at this conclusion, the Court had to refer to the well-settled meaning of the term "final judgment" used in Articles 1547 and 1557 of the same Code, which is found in Manresa's Comments on the Civil Code and in the *Enciclopedia Juridica Española*, and declared that "if in previous articles 'final judgment' signify a judgment that has become final, it should have the same meaning in subsequent articles in the same Code."

B. *Reference to Other Laws*

Just as the different parts of a statute should not be isolated and given an abstract meaning, so a statute must not be considered alone and interpreted solely by reference to its own terms but rather by reference to the other laws of the country. The principle is expressed in an ancient maxim of law that *interpretare et concordare leges legibus est optimus interpretandi.* Consequently, every statute

should be construed in such a way as will make it harmonize with the existing body of law.[37]

Recent application of the rule may be found in the cases of *People v. Orpilla-Molina* [38], and *Benito Liwanag v. Workmen's Compensation Commission.*[39]

In the first case, the defendants were charged before the CFI of Cagayan with indirect contempt against the JP court because they re-entered the land from which they had been previously ordered ejected by said inferior court. They raised the question of jurisdiction, pointing out that the penalty provided for such contempt in Section 6 of the Rules of Court is a fine not exceeding ₱100 or imprisonment for not more than one month or both, which penalty, they contended, fell beyond the original jurisdiction of courts of first instance, as provided for in Rep. Act 296. The Court found the contention without merit, saying:

> "Although Rep. Act 296 assigned to the justice of the peace courts all criminal offenses penalized with imprisonment for not more than six months or a fine not exceeding ₱200 or both, this case must be deemed not included in such assignment because under sec. 4 or Rule 64, proceedings for contempt committed against a justice of the peace court '*may be instituted*' either in the court of first instance or in such justice of the peace court.
>
> "Rule 64 is as much a law as Rep. Act 296; and both should be construed and upheld together, if possible, by making the former an exception to the latter. Repeals are not favored. x x x."

In the *Liwanag* case, appellants are co-owners of a commercial establishment. They employed Roque Balderama as a security guard who, while in line of duty, was killed by criminal hands. His heirs filed a claim for compensation with the Workmen's Compensation Commission which ordered appellants to pay *jointly and severally* a certain amount as compensation to the claimants. They appealed, claiming that under the Workmen's Compensation Act, the compensation is divisible, hence the Commission erred in ordering them to pay *jointly and severally* the amount awarded. In dismissing plaintiff's contention, the Court said "that although the Workmen's Compensation Act does not contain any provision expressly declaring solidary the obligation of business partners, like the appellant herein, there are other provisions of law from which it could be gathered that their liability must be solidary." And citing Articles 1711 and 1712 of the Civil Code, and Section 2 of the Workmen's Compensa-

[37] See Black, pp. 345-347.
[38] G.R. No. L-12703, March 25, 1959.
[39] G.R. No. L-12164, May 22, 1959

tion Act, as amended [40], it declared that these provisions taken together reasonably indicate that in compensation cases, the liability of business partners, like appellants, should be solidary; otherwise, the right of the employee may be defeated, or at least crippled.

C. *Interpretation of Adopted Statutes*

Where the legislature adopts a statute or provision thereof from the laws of another country, it is presumed to adopt also, in the absence of an indication of a contrary intent, the authoritative construction which has been placed upon it in the country from which it was adopted. This rule was utilized in *Luzon Stevedoring Co. v. De Leon* [41], in the interpretation of the phrase "guardian or next friend" used in Section 28 of the Workmen's Compensation Act. It appears that one Maximino Gonzales, an employee of petitioner, was killed sometime in 1941 as a result of an accident arising out of and in the course of employment. He left a widow and several minor children. On account of the war, she was not able to file a claim for compensation, and it was only on April 22, 1952, when she filed the claim with the Workmen's Compensation Division of the Bureau of Labor [42] on behalf of herself and her children. The petitioner objected to the claim on the ground of prescription.[43] The referee sustained the objection with respect to the widow and the eldest child, but awarded compensation to the other children. The company appealed. The only question is whether the claim is also barred with respect to the other children who at the time of their father's death were 11, 9, 6 and 3 years old. Section 24 of the Workmen's Compensation Act requires as a condition precedent to the maintenance of any compensation proceeding, besides the filing of notice of death or injury, that a previous claim of compensation be filed with the employer within a period of three months after death of the employee. And Section 28 of the same Act, which is in the nature of a saving clause, provides that the time limits prescribed for in the Act shall not apply "to a person mentally incapacitated or to *dependent minor* so long as he has *no guardian or next friend.*" It is contended for the company that the word "guardian" may refer to either a natural guardian or legal guardian since no qualifying word is used, and that as the minor children had a natural guardian in the person of their mother the time limits provided in Section 24

[40] Arts. 1711 and 1712 of the Civil Code provide:

"Art. 1711. Owners of enterprises and other employers are obliged to pay compensation for the death of or injuries to their laborers, workmen, mechanics or other employees, even though the event may have been purely accidental or entirely due to a fortuitous cause, if the death or personal injury arose out of and in the course of the employment. x x x.

"Art. 1712. If the death or injury is due to the negligence of a fellow-worker, the latter and the employer shall be *solidarily liable* for compensation. x x x."

And Section 2 of the Workmen's Compensation Act, as amended, reads in part as follows: "x x x. The right to compensation as provided in this Act *shall not be defeated or impaired* on the ground that the death, injury or disease was due to the negligence of a fellow servant or employee, without prejudice to the right of the employer to proceed against the negligent party."

should apply to them. In disposing of the contention, the Court declared that the phrase "guardian or next friend" as used in workmen's compensation laws in the United States is taken to mean "one authorized to maintain an action for and in the name of another who is *non sui juris*"[42], "and as the Workmen's Compensation Act is patterned after similar legislation in the United States, we may assume, unless a contrary intention appears, that the terms used in that Act were intended to have the same signification as they had in the model legislation."

D. *Effect of Change of Language*

When statutes are amended or revised, a mere change of phraseology should not be deemed to work a change in the law unless there was a clear intention on the part of the legislature to effect such change. The reason for the rule is that reenactment or revision is done principally to reorganize the law and to state it in simpler form; hence the presumption is that a change in language is for purposes of clarity rather than for a change in meaning.[45]

This rule was reiterated in *Philippine American Drug Co. v. Collector of Internal Revenue*[46], with reference to the additional argument urged by appellant that the change in the wording of the law is an indication of the intention of Congress to limit the meaning of the phrase "all similar charges" mentioned in Section 183 (B) of the Tax Code. Before said section was first amended by Rep. Act 594, it provided that the tax was imposed on imported articles "based on the total value thereof." Rep. Act 594 amended the section so that the tax on imported articles shall be "based on the import invoice value thereof." It is contended by appellant that though the term "total value" in the original provision could be interpreted to include the premiums that banks charged the importers for opening letters of credit, the term "import invoice value" which Rep. Act 594 introduced in lieu of the term "total value", however, cannot be so interpreted. The Court held that "the inference sought to be drawn by appellant from this change in the law is unjustified. Whether we interpret the phrase "all similar charges" as component part of and therefore already included in the "total value thereof", as appellant seems to accept, or we merely add "all similar charges" as a separate item to the "import invoice value thereof", as the present law provides, the result will be the same: the tax is to be based upon the total landed cost of the imported articles, as pointed out in the *Genato* case."

[46] G.R. No. L-9521, November 28, 1959.

V. STATUTES STRICTLY CONSTRUED

Strict construction of a statute is that method of construction which refuses to expand the law by implication, inference or construction, but confines its operation to cases which are clearly within its letter as well as within its spirit or reason. It resolves all reasonable doubts against the applicability of the statute to the particular case. Liberal construction, on the other hand, is that which expands the meaning of the same to embrace cases which are clearly within the spirit or reason of the law or within the evil which it was designed to remedy, provided such interpretation is not inconsistent with the language used. It resolves all reasonable doubts in favor of the applicability of the statute to a given case.[47] Whether a statute is to be strictly or liberally construed seems generally to depend upon the type or nature of the statute involved.

A. *Statutes Delegating Sovereign Powers to Municipal Corporations*

Statutes of this type are subjected to strict construction because they are in derogation of sovereign rights of the state. Of this type are statutes authorizing municipal corporations to exercise such sovereign powers as taxation and eminent domain. *In City of Iloilo v. Villanueva*[48], the defendant spouses assailed the constitutionality of an ordinance of the City of Iloilo, which imposed a license fee on owners of tenement houses, on the ground, among others, "that it infringes the powers granted to the city by its charter." The Court, after finding that the license fees are charged not merely for regulation but for revenue sustained the contention, declaring that the power to tax owners of tenement houses, not being one among those clearly and expressly granted to the city by its charter, the exercise of such power cannot be assumed. It further declared, "that a municipal corporation, unlike a sovereign state, is clothed with no inherent power of taxation. The charter or statute must plainly show an intent to confer that power or the municipality cannot assume it. And the power when granted is to be construed *strictissimi juris*. Any doubt or ambiguity arising out of the term used in granting that power must be resolved against the municipality."

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[42] Later absorbed into the Workmen's Compensation Commission created by Rep. Act No. 772 and formally organized on September 1, 1952.

[43] Section 24 of the Workmen's Compensation Law requires that previous notice of injury or sickness as well as previous claim for compensation be filed with the employer, as a condition precedent to the maintenance of any compensation proceeding under the Act.

[44] Words and Phrases, Vol. 28A, p. 204, citing Lochart's Guardian v. Bailey Pond Creek Coal Co., 30 S.W.2d. 955.

[45] See Sutherland, Secs. 3709-3710, pp. 255-256.

[46] Reviewed under the topic—*Ejusdem Generis.*

[47] Black, pp. 444-445.

[48] G.R. No. L-12695, March 27, 1959.

B. *Revenue and Tax Legislation*

As a general rule and in accord with the accepted view, revenue and tax legislation should be construed in favor of the taxpayer and against the government.[49] This view, according to Crawford, seems to rest "upon the principle that a tax cannot be imposed without the use of clear and express language. To hold otherwise, would be to allow the courts to impose taxation, and that would clearly constitute an encroachment upon the legislative power.[50]

The rule was followed in *Collector of Internal Revenue v. Juan L. Ledesma* [51], in the interpretation of Section 189 of the Tax Code. It appears that during the crop year 1953-1954, respondent milled part of the sugar cane raised in his *hacienda* in his muscovado sugar mill. The petitioner assessed against him the 2% percentage tax on the value of the sugar milled in and removed from his *muscovado* sugar mill pursuant to Section 189 of the Tax Code, which imposes upon "proprietors or operators of rope factories, sugar centrals, rice mills, coconut oil mills, corn mills, and desiccated coconut factories" percentage tax equivalent to 2% of the gross value in money of all the rope, sugar, rice, coconut oil, ground or milled corn, and desiccated coconut manufactured or milled by them." Respondent claims that he is not liable for the said tax because he is not a proprietor or operator of a sugar central. On the other hand, petitioner maintains that "*muscovado* sugar mills" are embraced within the term "sugar centrals" as used in the aforementioned section of the Tax Code. In deciding against the petitioner, the Court held that the sugar mill of the respondent is not a sugar central within the purview of Section 189 of the Tax Code; hence he is not bound to pay the tax provided therein. According to the Court, the term "sugar central", as used in the law, cannot be extended so as to embrace all sugar mills but only to "a large mill that makes sugar out of the cane brought from a wide surrounding territory," otherwise "even sugar mills run by animal power (trapiche) would be considered a sugar central." It further declared:

> "It is a rule established in the interpretation of revenue laws that the provisions thereof can not be extended to matters not clearly embraced therein, and that in case of doubt, such statutes are to be construed most strongly against the government and in favor of the citizens. As section 189 of the Revenue Code imposes the percentage tax prescribed therein on proprietors or operators of sugar centrals, the same can not be extended so as to apply to all owners of sugar mills irrespective of whether or not such mills are operated as sugar centrals." [52]

[49] Crooks v. Harrelson, 282 U.S.—, 75 L.Ed. 156.
[50] STATUTORY CONSTRUCTION, p. 503.
[51] G.R. No. L-12158, May 27, 1959.
[52] See U.S. v. Wiglesworth, 2 Story 369; Luzon Stevedoring Co. v. Trinidad, 45 Phil. 803.

C. *Tax Exemptions*

Statutes granting exemption from taxation as well as those which strip the government of any portion of its prerogative should receive a strict interpretation. The exemption from taxation being in derogation of the sovereign rights of the state, the rule of construction is strictly against the person claiming such exemption. And the right of taxation, like any other power of sovereignty, will not be held to have been surrendered, unless such surrender has been expressed in plain terms.[53]

1. *Illustration of the Rule*

Recent application of the rule was made in the cases of *Bisaya Land Transportation Co. v. Collector of Internal Revenue*,[54] and *Jai Alai Corporation of the Philippines v. The Court of Tax Appeals* [55].

In the first case, a question was raised as to whether the receipts of the company for services rendered to the Armed Forces of the Philippines are subject to the common carrier 2% tax provided in section 192 of the Tax Code. The company contends that inasmuch as the selling of commodities by private persons to the Philippine Armed Forces is tax exempt, according to a decided case, the selling of services to the National Government (in the instant case, the transportation by water of commodities owned by the Phlippine Army and for its own use), is or should likewise be tax exempt. The Court, holding that the contention is devoid of merit, declared:

> "This percentage tax is based upon the gross receipts of carriers, independently of the source of such receipts. Where the law does not distinguish, neither may we. x x x."
>
> "The case cited in support of the second ground refer to 'goods' sold to the Government, which by law (Rep. Acts 594, 969 and 1612) were expressly exempted from taxation. There is not such statutory exemption as regards receipts for *services* rendered to the Government or any of its branches. Hence, such receipts are not deemed exempted. *Expressio unius est exclusio alterius.* What is more, it is well settled that exemptions beyond the natural import of the statute creating the same."

In the *Jai Alai* case, the respondent made a deficiency assessment of amusement tax on gross receipts derived from admissions to the Jai Alai from 1949 to 1954. Petitioner contests the assessment on various grounds, one of which is that it is absolutely exempted from the *graduated* percentage taxes under section 260 of the Tax Code because of the amendment of Rep. 39 by Rep. Act 418.

[53] Black, pp. 509-510.
[54] Reviewed under the heading—*Literal Interpretation.*
[55] G.R. No. L-11175, October 20, 1959.

The third paragraph of Section 8 of Rep. Act 39 specifically mentioned the word "Jai Alai" as liable to 20% of the gross receipts, together with race tracks. In Rep. Act 418, said 3rd paragraph was amended, and the word "and Jai Alai" were eliminated, so that only race tracks were subject to 20% tax of the gross receipts. The Court held that no such inference can be deduced from the amendment of Rep. Act 39. It declared that had the intention of Congress, in enacting Rep. Act 418, been to exempt Jai Alai from payment of the tax imposed in Sec. 260 of the Tax Code, the exemption should have been expressly stated in the amendatory law. Exemptions are never presumed. The only reasonable inference to be derived from Rep. Act 418 is to revert the Jai Alai to its former status as a place of amusement, subject to tax under paragraph 1 of Sec. 260 of the Tax Code as it had always been prior to the amendment of Rep. Act 39.

2. *Qualification of the Rule*

Though grants of tax exemptions are never presumed, they need not be expressly or specifically mentioned. This appears to be the ruling in *Collector of Internal Revenue v. Philippine Internal Fair, Inc.*[56] and *The Commissioner of Customs v. Caltex (Philippines) Inc.*[57].

In the *International Fair* case, respondent claims exemption from the payment of the amusement tax on its "aquacade show" on the ground that it falls within the exemption provided for in Rep. Act 772, section 1 of which provides that the "holding of operas, concerts, recitals, dramas, painting and art exhibitions, flower shows, and literary, oratorical and musical programs, except film exhibitions and radio or phonographic records thereof, shall be exempt from the payment of any national or municipal tax on receipts derived therefrom." Petitioner contends, in opposing the claim for exemption, that "ballet performance (the aquacade show was principally a 'water ballet' performance) is not expressly enumerated as one of the presentations entitled to tax exemption and applying the principle of '*expressio unius est exclusio alterius*'[58], the enumeration in Rep. Act 722 should be considered exclusive and that grants of tax exemption should be construed liberally in favor of the government and strictly against the taxpayer." In dismissing petitioner's contention, the Court declared:

> "It is conceded that ballet is an art; that under our Constitution must be strictly construed and that exemptions should not be extended (Article XIV, Sec. 4) arts are under the patronage of the State; that

[56] G.R. No. L-12024, August 28, 1959
[57] G.R. No. L-13067, December 29, 1959.
[58] This rule as well as the other tools of literal interpretation, such as the doctrine of *casus omissus* and the *ejusdem generis* rule, are the usual mechanisms employed in strict construction

> Republic Act No. 722 seeks to implement the constitutional provision x x x.
>
> "The conclusion is thus inevitable that ballet performance, besides being truly an art *par excellence*, is in fact included in the terms 'concert', 'opera' or 'recital' and therefore exempted from payment of amusement tax." (Collector of Internal Revenue v. Totoy Oteyza, G.R. No. L-10290, May 28, 1958)

In the other case, Caltex was granted a petroleum refining concession pursuant to Rep. Act 387, otherwise known as the Petroleum Act. It commenced the present action to recover the amounts it paid as customs duties on the imported petroleum products consumed in connection with its refinery project in Batangas, on the ground that the same were exempt under Article 103 of Rep. Act 387. Said article provides:

> "Art. 103. *Customs duties.*—During the first five years following the granting of any concession, the concessionaire may import free of customs duty, all equipment, machinery, materials, instruments, supplies and accessories.
>
> "No exemption shall be allowed on goods imported by the concessionaire for his personal use or that of any others; nor for sale or for re-export; and if any goods on which exemption has been allowed be thus used or disposed of, the concessionaire is obliged to make a report to the Secretary of Agriculture and Natural Resources to that effect and to pay such import duty as is due."

It is contended by petitioner that the exemption clause contained in the law cannot apply to respondent for the reason that the refinery of the latter is being operated on imported crude patroleum and not on crude petroleum produced in the Phlippines, contrary, it is claimed to the very objective of Rep. Act 387 which is "to promote and encourage the exploration, development, promotion and utilization of the petroleum resources of the Philippines." In answer to this contention, the Court said that such is not the real intent of the law in granting exemption to petroleum concessionaires, for under Art. 79 of said Act "imported crude petroleum may be allowed as long as no crude petroleum is produced in the Philippines." Furthermore, "it cannot be disputed that the petroleum products imported by respondent for its use during the construction of the refinery such as gasoline and oil furnished its drivers during the construction job come within the import of the words *material* or *supplies*, for it has been held that gasoline and oil used by drivers in a construction job fall under the category of *supplies*" (West v. Detroit Fidelity and Surety Co., 225 N.W. 673, 678, 118 Neb. 544 cited on page 790 Vol. 40 Words and Phrases.)