Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

H. VILLARICA PAWNSHOP, INC., HL VILLARICA PAWNSHOP, INC., HRV VILLARICA PAWNSHOP, INC. AND VILLARICA PAWNSHOP, INC.,
Petitioners,

-versus-

SOCIAL SECURITY COMMISSION, SOCIAL SECURITY SYSTEM, AMADOR M. MONTEIRO, SANTIAGO DIONISIO R. AGDEPPA, MA. LUZ N. BARROS-MAGSINO, MILAGROS N. CASUGA AND JOCELYN Q. GARCIA,
Respondents.

G.R. No. 228087

Present:

BERSAMIN, *Acting Chairperson*,
LEONEN,
JARDELEZA,*
MARTIRES,** and
GESMUNDO, *JJ.*

Promulgated:

January 24, 2018

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DECISION

GESMUNDO, *J.*:

Condonation statutes—being an act of liberality on the part of the State—are strictly construed against the applicants unless the laws themselves clearly state a contrary rule of interpretation.

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* Designated additional Member *per* Raffle dated January 15, 2018.

** On official leave.

This is a petition for review on *certiorari* under Rule 45 of the Rules of Court filed by petitioners H. Villarica Pawnshop, Inc., HL Villarica Pawnshop, Inc., HRV Villarica Pawnshop, Inc. and Villarica Pawnshop, Inc., *(petitioners)* seeking to reverse and set aside the Decision[1] dated February 26, 2016 and Resolution[2] dated November 2, 2016, of the Court of Appeals *(CA)* in CA-G.R. SP No. 140916, which affirmed the Resolution[3] dated November 6, 2013, and Order[4] dated January 21, 2015, of the Social Security Commission *(SSC)* denying petitioners' claim for refund.

The Antecedents

Petitioners are private corporations engaged in the pawnshop business and are compulsorily registered with the Social Security System *(SSS)* under Republic Act *(R.A.)* No. 8282,[5] otherwise known as the *Social Security Law of 1997*.[6]

In 2009, petitioners paid their delinquent contributions and accrued penalties with the different branches of the SSS in the following manner:

PETITIONER	DELINQUENCY PERIOD	AMOUNT PAID (Contribution and Penalty)	DATE PAID
H. Villarica Pawnshop, Inc.	Jan. 2006 – Oct. 2006	₱1,461,640.24	Apr. 23, 2009
	Jul. 2007 – Dec. 2007		
	Apr. 2007 – Jun. 2007	₱710,199.08	May 1, 2009
	Mar. 2008 – Dec. 2008		
H.L. Villarica Pawnshop, Inc.	Sept. 2005 – Dec. 2006	₱2,544,525.28	Jun. 20, 2009
HRV Villarica Pawnshop, Inc.	Jan. 2009 – May 2009	₱132,176.32	May 18, 2009
Villarica Pawnshop, Inc.	Mar. 2000 – Jun. 2000	₱68,922.03	Feb. 20, 2009
	Jan. 2000 – Jun. 2000	₱21,353.70	Feb. 26, 2009
	Jan. 2005 – Aug. 2005	₱699,850.34	Mar. 2, 2009
	Jan. 1997 – Jan. 2009	₱2,491,998.08	Apr. 7, 2009[7]

On January 7, 2010, Congress enacted R.A. No. 9903, otherwise known as the *Social Security Condonation Law of 2009*, which took effect on February 1, 2010. The said law offered delinquent employers the opportunity to settle, without penalty, their accountabilities or overdue contributions within six (6) months from the date of its effectivity.[8]

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[1] Penned by Associate Justice Jhosep Y. Lopez with Associate Justice Ramon R. Garcia and Associate Justice Leoncia R. Dimagiba, concurring; *rollo,* pp. 49-60.
[2] Id. at 62-63.
[3] Id. at 251-254.
[4] Id. at 275-278.
[5] An Act Further Strengthening The Social Security System Thereby Amending For This Purpose, Republic Act No. 1161, As Amended, Otherwise Known As The Social Security Law (May 1, 1997).
[6] Social Security Law, as amended (June 18, 1954).
[7] *Rollo*, p. 325.
[8] Section 4 of R.A. No. 9903.

Consequently, petitioners thru its President and General Manager Atty. Henry P. Villarica, sent separate Letters,[9] all dated July 26, 2010, to the different branches of the SSS seeking reimbursement of the accrued penalties, which they have paid in 2009, thus:

		Amount Claimed
1.	Diliman Branch	₱860,452.62[10]
2.	Manila Branch	₱1,005,805.28[11]
3.	Caloocan Branch	₱5,376.32[12]
4.	San Francisco Del Monte Branch	₱3,119,400.15[13]

Invoking Section 4 of R.A. No. 9903 and Section 2 (f) of the SSC Circular No. 2010-004 or the Implementing Rules and Regulations of R.A. No. 9903 *(IRR)*, petitioners claimed that the benefits of the condonation program extend to all employers who have settled their arrears or unpaid contributions even prior to the effectivity of the law.[14]

In a Letter[15] dated August 16, 2010, the SSS – San Francisco Del Monte Branch denied petitioner Villarica Pawnshop, Inc.'s request for refund amounting to ₱3,119,400.15 stating that there was no provision under R.A. No. 9903 allowing reimbursement of penalties paid before its effectivity.[16]

In another Letter[17] dated September 16, 2010, petitioner HRV Villarica Pawnshop, Inc. was likewise informed that its application for the refund of the accrued penalty had been denied because R.A. No. 9903 does not cover accountabilities settled prior to its effectivity.[18]

In like manner, the applications for refund filed by petitioners H. Villarica Pawnshop, Inc. and HL Villarica Pawnshop, Inc. were both denied in separate letters dated October 4, 2010[19] and October 15, 2010,[20] respectively, for the same reason of being filed outside the coverage of R.A. No. 9903.[21]

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[9] *Rollo*, pp. 86-89.
[10] Id. at 86
[11] Id. at 87
[12] Id. at 88.
[13] Id. at 89.
[14] Supra see note 10.
[15] *Rollo*, p. 94.
[16] Id.
[17] Id. at 93
[18] Id.
[19] Id. at 90-91.
[20] Id. at 92.
[21] Supra see note 19.

As a result, petitioners filed their respective Petitions[22] before the SSC seeking reimbursement of the 3% per month penalties they paid in 2009 essentially claiming that they were entitled to avail of the benefits under R.A. No. 9903 by reason of equity because "one of the purposes of the law is to favor employers, regardless of the reason for the non-payment of the arrears in contribution;" and that the interpretation of the SSS "is manifestly contrary to the principle that, in enacting a statute, the legislature intended right and justice to prevail."

In its Answer[23] dated March 14, 2012, the SSS prayed for the dismissal of the petitions for utter lack of merit. It maintained that petitioners were not entitled to avail of the condonation program under R.A. No. 9903 because they were not considered delinquent at the time the law took effect in 2010; and that there was nothing more to condone on the part of petitioners for they have settled their obligations even before the enactment of the law. The SSS explained that the term "accrued penalties" had been properly defined as unpaid penalties under the IRR and, considering that laws granting condonation constitute acts of benevolence on the part of the State, they should be strictly construed against the applicant.[24]

The SSC Ruling

In its Resolution[25] dated November 6, 2013, the SSC denied all the petitions for lack of merit. It ruled that petitioners were not entitled to the benefits of the condonation program under R.A. No. 9903 in view of the full payment of their unpaid obligations prior to the effectivity of the law on February 1, 2010. As petitioners did not have unpaid contributions at the time the law took effect, the SSC held that there could be no remission or refund in their favor. The dispositive portion of the said resolution states:

> WHEREFORE, all four (4) petitions filed by petitioners against the SSS are hereby DENIED for lack of merit.
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> SO ORDERED.[26]

Petitioners filed a motion for reconsideration but it was denied by the SSC in an Order[27] dated January 21, 2015.

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[22] Docketed as: SSC Case No. 11-19521-11 (H. Villarica Pawnshop, Inc. v. Social Security System, Amador M. Monteiro and Santiago Dionisio R. Agdeppa), SSC Case No. 11-19522-11 (HL Villarica Pawnshop, Inc. v. Social Security System and Ma. Luz N. Barros-Magsino), SSC Case No. 11-19523-11 (HRV Villarica Pawnshop, Inc. v. Social Security System and Milagros N. Casuga) and SSC Case No. 11-19524-11 (Villarica Pawnshop, Inc. v. Social Security System and Jocelyn Q. Garcia); *rollo*, pp. 95-162.

[23] Id. at 163-169.

[24] Id. at 167.

[25] Id. at 251-254.

[26] Id. at 254.

[27] Id. at 275-278.

Undeterred, petitioners appealed before the CA.

The CA Ruling

In its decision dated February 26, 2016, the CA affirmed the ruling of the SSC. It held that the intent of the legislature in enacting R.A. No. 9903 was the remission of the three percent (3%) per month penalty imposed upon delinquent contributions of employers as a necessary consequence of the late payment or non-remittance of SSS contributions. The CA found that the IRR of R.A. No. 9903 used the word "unpaid" to emphasize the accrued penalty that may be waived therein, thus, it presupposes that there was still an outstanding obligation at the time of the effectivity of the law, which may be extinguished through remission. It highlighted that lawmakers did not include within the sphere of R.A. No. 9903 those employers whose penalties have already been paid prior to its effectivity. The CA added that it would be absurd for obligations that have already been extinguished to be subjected to condonation.

Citing *Mendoza v. People*[28] *(Mendoza),* the CA further ruled that there was no violation of the equal protection clause because there was a substantial distinction between those delinquent employers who paid within the six (6) month period from the effectivity of the law and those who paid outside of the said availment period. It underscored that only the former class was expressly covered by R.A. No. 9903. The CA concluded that petitioners' stand, that those who paid prior to the effectivity of R.A. No. 9903 can avail of the condonation and refund, would open the floodgates to numerous claims for reimbursement before the SSS, which could lead to a depletion of its resources to the detriment of the public's best interest. The *fallo* of the CA ruling reads:

> WHEREFORE, foregoing considered, the instant petition is hereby DISMISSED. The Resolution dated November 6, 2013 and the Order dated January 21, 2015 of the Social Security Commission in SSC Case Nos. 11-19521-11, 11-19522-11, 11-19523-11 and 11-19524-11 are AFFIRMED.
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> SO ORDERED.[29]

Petitioners moved for reconsideration but it was denied by the CA in its resolution dated November 2, 2016. [30]

Hence, this petition anchored on the following grounds:

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[28] 675 Phil. 759, 767 (2011).
[29] *Rollo,* p. 59.
[30] Id. at 62-63.

A. WITH ALL DUE RESPECT, THE COURT OF APPEALS ERRED IN RULING THAT RA NO. 9903 DOES NOT INCLUDE PETITIONERS IN ITS COVERAGE, CONSIDERING THAT:

1. SECTION 4 OF RA NO. 9903 EXPRESSLY INCLUDES EMPLOYERS, SUCH AS PETITIONERS, WHO SETTLED (THEIR) ARREARS IN CONTRIBUTIONS BEFORE THE EFFECTIVITY OF THE LAW AND THUS, ARE ENTITLED TO A WAIVER OF THEIR ACCRUED PENALTIES.

2. PRIOR TO RA NO. 9903, EMPLOYERS ARE REQUIRED TO SETTLE THEIR ARREARS IN CONTRIBUTIONS SIMULTANEOUSLY WITH PAYMENT OF THE PENALTY, THUS RENDERING IT IMPOSSIBLE FOR PETITIONERS TO PAY THEIR ARREARS WITHOUT PAYING THE PENALTY

B. WITH ALL DUE RESPECT, THE COURT OF APPEALS ERRED IN RULING THAT RESPONDENT SSC CORRECTLY INTERPRETED THE TERM 'ACCRUED' UNDER THE SSS CONDONATION LAW OF 2009 TO MEAN UNPAID. IF THIS INTERPRETATION WERE TO BE UPHELD, THOSE WHO HAVE UNPAID ACCRUED PENALTIES WOULD BE IN A BETTER POSITION THAN THOSE WHO DECIDED TO SETTLE BOTH THE ARREARS IN CONTRIBUTION AND THE ACCRUED PENALTIES. CERTAINLY, THE LAW NEVER INTENDED INJUSTICE.[31]

Petitioners argue that the last *proviso* of Section 4 of R. A. No. 9903 "clearly extends the benefit of the waiver" to employers who have settled their arrears before the effectivity of the law, hence, to allow the refund of the corresponding penalties paid;[32] that the "equity provision" in Section 4 of R.A. No. 9903 should be interpreted to include a refund of penalties already paid if such law is to be given any effect;[33] and that a refund should be allowed because there is no substantial distinction between employers who paid their accrued penalties before and after the effectivity of the R.A. No. 9903.[34]

In its Comment,[35] the SSC counters that since petitioners have already paid their unremitted contributions and accrued penalties before the effectivity of R.A. No. 9903, there is nothing left to be condoned or waived;

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[31] Id. at 21-22.
[32] Id. at 23-25.
[33] Id. at 26-33, 350-353.
[34] Id. at 25.
[35] Id. at 322-335; see Section 5 (b) of Republic Act No. 1161, as amended by Republic Act No. 8282, which states that the [Social Security] Commission shall be deemed to be a party to any judicial action involving any such decision, and may be represented by an attorney employed by the Commission, or when requested by the Commission, by the Solicitor General or any public prosecutors.

that, at the time of their payment, there was no remission of accrued penalty yet; that R.A. No. 9903 does not contain a provision allowing the reimbursement of accrued penalty which was paid prior to its effectivity; that the CA correctly interpreted the term "accrued penalty" to mean "unpaid" by using the definition provided in Section 1 (d) of the IRR; and that the ruling in *Mendoza* had already recognized that Congress refused to allow a sweeping, non-discriminatory condonation to all delinquent employers when it provided a fixed period for the availment of the condonation program under R.A. No. 9903.[36]

In its Comment,[37] the SSS avers that the payments made by petitioners before the effectivity of R.A. No. 9903 are valid payments which cannot be the subject of reimbursement; that petitioners are no longer considered delinquent employers when R.A. No. 9903 took effect; that petitioners erroneously interpreted the "equity provision" to include a right to a refund of penalties paid; and that laws granting condonation constitute an act of benevolence and should be strictly construed against the applicant.[38]

The Court's Ruling

The petition is bereft of merit.

Sections 2 and 4 of the R.A. No. 9903 specifically provide:

> Section 2. *Condonation of Penalty.* — Any employer who is delinquent or has not remitted all contributions due and payable to the Social Security System (SSS), including those with pending cases either before the Social Security Commission, courts or Office of the Prosecutor involving collection of contributions and/or penalties, **may within six (6) months from the effectivity of this Act:**
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> (a) **remit said contributions**; or
>
> (b) **submit a proposal to pay the same in installments**, subject to the implementing rules and regulations which the Social Security Commission may prescribe: Provided, That the delinquent employer submits the corresponding collection lists together with the remittance or proposal to pay installments: *Provided, further*, That upon approval and payment in full or in installments of contributions due and payable to the SSS, all such pending cases filed against the employer shall be withdrawn without prejudice to the refiling of the case in the event the employer fails to remit in full the required delinquent contributions or defaults in

[36] Id. at 307-319.
[37] Supra see note 35.
[38] *Rollo*, pp. 322-333.

the payment of any installment under the approved proposal.

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Section 4. *Effectivity of Condonation.* — The penalty provided under Section 22 (a) of Republic Act No. 8282 shall be condoned by virtue of this Act when and until all the delinquent contributions are remitted by the employer to the SSS: *Provided*, That, in case the employer fails to remit in full the required delinquent contributions, or defaults in the payment of any installment under the approved proposal, within the availment period provided in this Act, the penalties are deemed reimposed from the time the contributions first become due, to accrue until the delinquent account is paid in full: ***Provided, further*, That for reason of equity, employers who settled *arrears* in contributions before the effectivity of this Act shall likewise have their *accrued* penalties waived**. [emphases supplied]

On the other hand, Sections 1 and 2 of the IRR of R.A. No. 9903 state:

Section 1. Definition of Terms. — Unless the context of a certain provision of this Circular clearly indicates otherwise, the term:

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(d) "Accrued penalty" refers to the unpaid three percent (3%) penalty imposed upon any delayed remittance of contribution in accordance with Section 22 (a) of R.A. No. 1161, as amended.

Section 2. Who may avail of the Program. — Any employer who is delinquent or has not remitted all contributions due and payable to the SSS may avail of the Program, including the following:

(a) Those not yet registered with the SSS;

(b) Those with pending or approved proposal under the Installment Payment Scheme of the SSS (Circular No. 9-P) pursuant to SSC Resolution No. 380 dated 10 June 2002;

(c) Those with pending or approved application under the Program for Acceptance of Properties Offered Through Dacion En Pago of the SSS (Circular No. 6-P) pursuant to SSC Resolution No. 29 dated 16 January 2002;

(d) Those with cases pending before the SSC, Courts or Office of the Prosecutor involving collection of contributions and/or penalties;

(e) Those against whom judgment had been rendered involving collection of contributions and/or penalties but have not complied with the judgment, and;

> (f) **Those who, before the effectivity of the Act, have settled all contributions but with accrued penalty**. [emphasis supplied]

Under R.A. No. 9903 and its IRR, an employer who is delinquent or has not remitted all contributions due and payable to the SSS may avail of the condonation program provided that the delinquent employer will remit the full amount of the unpaid contributions or would submit a proposal to pay the delinquent contributions in installment within the six (6)-month period set by law.

Under Section 4 of R.A. No. 9903, once an employer pays all its delinquent contributions within the six month period, the accrued penalties due thereon shall be deemed waived. In the last *proviso* thereof, those employers who have settled their delinquent contributions before the effectivity of the law but still have existing accrued penalties shall also benefit from the condonation program. In that situation, there is still something to condone because there are existing accrued penalties at the time of the effectivity of the law. Section 1 (d) of the IRR defines accrued penalties as those that refer to the **unpaid** three percent (3%) penalty imposed upon any delayed remittance of contribution.

Accordingly, R.A. No. 9903 covers those employers who (1) have existing delinquent contributions and/or (2) have accrued penalties at the time of its effectivity.

Evidently, there is nothing in R.A. No. 9903, particularly Section 4 thereof, that benefits an employer who has settled their delinquent contributions and/or their accrued penalties **prior** to the effectivity of the law. Once an employer pays all his delinquent contributions and accrued penalties before the effectivity of R.A. No. 9903, it cannot avail of the condonation program because there is no existing obligation anymore. It is the clear intent of the law to limit the benefit of the condonation program to the delinquent employers.[39]

Also, the provisions of R.A. No. 9903 and its IRR state that employers may be accorded the benefit of having their accrued penalties waived provided that they *either* remit their delinquent contributions *or* submit a proposal to pay their delinquencies in installments (on the condition that there will be no default in subsequent payments) *within* the "availment period" spanning six (6) months from R.A. No. 9903's effectivity.

The Court finds that employers who have paid their unremitted contributions and already settled their delinquent contributions as well as their corresponding penalties **before** R.A. No. 9903's effectivity do not have

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[39] *Mendoza v. People*, 675 Phil. 759, 765-766 (2011).

a right to be refunded of the penalties already paid, which shall be discussed in *seriatim*.

Verba legis interpretation of R.A. No. 9903

It is the duty of the Court to apply the law the way it is worded.[40] Basic is the rule of statutory construction that when the law is clear and unambiguous, the court is left with no alternative but to apply the same according to its clear language.[41] The courts can only pronounce what the law is and what the rights of the parties thereunder are.[42] Fidelity to such a task precludes construction or interpretation, unless application is impossible or inadequate without it.[43] Thus, it is only when the law is ambiguous or of doubtful meaning may the court interpret or construe its true intent.[44]

Parenthetically, the "plain meaning rule" or *verba legis* in statutory construction enjoins that if the statute is clear, plain and free from ambiguity, it must be given its literal meaning and applied without interpretation.[45] This rule of interpretation is in deference to the plenary power of Congress to make, alter and repeal laws as this power is an embodiment of the People's sovereign will.[46] Accordingly, when the words of a statute are clear and unambiguous, courts cannot deviate from the text of the law and resort to interpretation lest they end up betraying their solemn duty to uphold the law and worse, violating the constitutional principle of separation of powers.

Concomitantly, condonation or remission of debt is an act of liberality, by virtue of which, without receiving any equivalent, the creditor renounces the enforcement of the obligation, which is extinguished in its entirety or in that part or aspect of the same to which the remission refers.[47] It is essentially gratuitous for no equivalent is received for the benefit given.[48] Relatedly, waiver is defined as a voluntary and intentional relinquishment or abandonment of a known existing legal right, advantage, benefit, claim or privilege, which except for such waiver the party would have enjoyed; the voluntary abandonment or surrender, by a capable person, of a right known by him to exist, with the intent that such right shall be surrendered and such person forever deprived of its benefit; or such conduct

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[40] *Tawang Multi-Purpose Cooperative v. La Trinidad Water District*, 661 Phil. 390, 400 (2011).
[41] *Security Bank and Trust Company v. Regional Trial Court, etc., et al.*, 331 Phil. 787, 793 (1996).
[42] *Abueva, et al. v. Wood, et al.*, 45 Phil. 612, 633 (1924).
[43] *Resins, Incorporated v. Auditor General, et al.*, 134 Phil. 697, 700 (1968).
[44] *Abello, et al. v. Commissioner of Internal Revenue, et al.*, 492 Phil. 303, 313 (2005).
[45] *Republic, etc. v. Lacap, etc.*, 546 Phil. 87, 99 (2007).
[46] *Cf. Ople v. Torres, et al.*, 354 Phil. 948, 966 (1998).
[47] *Dizon, etc. v. Court of Tax Appeals, et al.*, 576 Phil. 110, 133 (2008).
[48] Tolentino, *Commentaries and Jurisprudence on Civil Code of the Philipines*, Vol. IV, 1991 ed., p. 353.

as warrants an inference of the relinquishment of such right; or the intentional doing of an act inconsistent with claiming it.[49] On the other hand, refund is an act of giving back or returning what was received.[50] In cases of monetary obligations, a claim for refund exists only after the payment has been made and, in the act of doing so, the debtor either delivered excess funds or there exists no obligation to pay in the first place. This right arises either by virtue of *solutio indebiti* as provided for in Articles 2154 to 2163 of the Civil Code or by provision of another positive law, such as tax laws or amnesty laws.[51]

A plain reading of Section 4 of R.A. No. 9903 shows that it does not give employers who have already settled their delinquent contributions as well as their corresponding penalties the right to a refund of the penalties paid. What was waived here was the amount of accrued penalties that have *not* been paid *prior* to the law's effectivity—it does not include those that have already been settled.

The words "condoned", "waived" and "accrued" are unambiguous enough to be understood and directly applied without any resulting confusion. As discussed earlier, the word "condonation" is the creditor's act of extinguishing an obligation by renunciation and the word "waive" is an abandonment or relinquishment of an existing legal right. On the other hand, the term "accrue" in legal parlance means "to come into existence as an enforceable claim."[52] Thus, the phrases "shall be condoned" and "shall likewise have their accrued penalties waived" under Section 4 of the R.A. No. 9903 can only mean that, at the time of its effectivity, only existing penalties may be extinguished or relinquished. No further interpretation is necessary to clarify the law's applicability.

Prospective application of R.A. No. 9903

Statutes are generally applied prospectively unless they expressly allow a retroactive application. It is a basic principle that laws should only be applied prospectively unless the legislative intent to give them retroactive effect is expressly declared or is necessarily implied from the language used.[53] Absent a clear contrary language in the text and, that in every case

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[49] *F.F. Cruz & Co., Inc. v. HR Construction Corp.*, 684 Phil. 330, 351 (2012).
[50] See: *United States v. Wurts*, 303 U.S. 414 (1938).
[51] See: *Victorias Milling Co., Inc. v. Central Bank of the Philippins*, 121 Phil. 451, 455 (1965).
[52] See: *Molloy, et al. v. Meier, etc., et al.*, 679 N.W.2d 711 (2004).
[53] *Erectors, Inc. v. National Labor Relations Commission, et al.*, 326 Phil. 640, 646 (1996).

of doubt, the doubt will be resolved against the retroactive operation of laws.[54]

Here, R.A. No. 9903 does not provide that, prior to its effectivity, penalties already paid are deemed condoned or waived. What Section 2 of the law provides instead is an availment period of six (6) months after its effectivity within which to pay the delinquent contributions for the existing and corresponding penalties to be waived or condoned. This only means that Congress intends R.A. No. 9903 to apply prospectively only after its effectivity and until its expiration.

Interpretation in favor of social justice

Even if there is doubt as to the import of the term "accrued penalties," condonation laws—especially those relating to social security funds—are construed strictly against the applicants.

Social justice in the case of the laborers means compassionate justice or an implementation of the policy that those who have less in life should have more in law.[55] And since it is the State's policy to "promote social justice and provide meaningful protection to [SSS] members and their beneficiaries against the hazards of disability, sickness, maternity, old age, death, and other contingencies resulting in loss of income or financial burden,"[56] Court should adopt a rule of statutory interpretation which ensures the financial viability of the SSS.

Here, the State stands to lose its resources in the form of receivables whenever it condones or forgoes the collection of its receivables or unpaid penalties. Since a loss of funds ultimately results in the Government being deprived of its means to pursue its objectives, all monetary claims based on condonation should be construed strictly against the applicants. In the case of SSS funds, the Court in *Social Security System v. Commission on Audit*[57] had emphatically explained in this wise:

> THE FUNDS contributed to the Social Security System (SSS) are not only imbued with public interest, they are part and parcel of the fruits of the workers' labors pooled into one enormous trust fund under the administration of the System designed to insure against the vicissitudes and hazards of their working lives. In a very real sense, the trust funds are

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[54] *Yun Kwan Byung v. Philippine Amusement and Gaming Corporation*, 623 Phil. 23, 43 (2009).
[55] *Agabon, et al. v. National Labor Relations Commission, et al.*, 485 Phil. 248, 306 (2004).
[56] Section 2 of R.A. No. 1161, as amended by R.A. No. 8282.
[57] 433 Phil. 946, 952 (2002).

> the workers' property which they could turn to when necessity beckons and are thus more personal to them than the taxes they pay. It is therefore only fair and proper that **charges against the trust fund be strictly scrutinized for every lawful and judicious opportunity to keep it intact and viable in the interest of enhancing the welfare of their true and ultimate beneficiaries.** [emphasis supplied]

To this end, the Court upholds and abides by this canon of interpretation against applicants of the benefits of R.A. No. 9903 as a recognition to the constitutional policies of freeing the people from poverty through policies that provide adequate social services[58] and affording *full* protection to labor.[59] It is consistent with the congressional intent of placing a primary importance in helping the SSS increase its funds through stimulating cash inflows by encouraging delinquent employers to settle their accountabilities.[60] Thus, R.A. No. 9903 shall be understood as not to include a refund of penalties paid before its effectivity.

It is the essence of judicial duty to construe statutes so as to avoid such a deplorable result of injustice.[61] Simply put, courts are not to give words meanings that would lead to absurd or unreasonable consequences.[62] This is to preserve the intention of Congress—the branch which possesses the plenary power for all purposes of civil government.[63]

Logically, only existing obligations can be extinguished either by payment, loss of the thing due, remission or condonation, confusion or merger or rights, compensation, novation, annulment of contract, rescission, fulfillment of a resolutory condition, or prescription. Interpreting R.A. No. 9903 in such a way that it extinguishes an obligation which is already extinguished is simply absurd and unreasonable.

Rule-making power of the SSS

The SSS (through the SSC)[64] is empowered to issue the necessary rules and regulations for the effective implementation of R.A. No. 9903.[65] Quasi-legislative power is exercised by administrative agencies through the promulgation of rules and regulations within the confines of the granting

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[58] Section 9, Article II of the Constitution.
[59] Section 3, Article XIII of the Constitution.
[60] See Hearing of the Senate Committee on Government Corporations and Public Enterprises *Joint With* Senate Committee on Labor, Employment and Human Resources Development (Technical Working Group), May 21, 2009, p. 9; see also: Hearing of the House of Representatives Committee on Government Enterprises and Privatization, August 27, 2008, pp. 16-17.
[61] *Bello, et al. v. Court of Appeals, et al.*, 155 Phil. 480, 491 (1974).
[62] *Secretary of Justice, et al. v. Koruga*, 604 Phil. 405, 416 (2009).
[63] *Kida, etc., et al. v. Senate, etc., et al.*, 675 Phil. 316, 361 (2011).
[64] Sections 3 and 30 of R.A. No. 1161, as amended by R.A. No. 8282.
[65] Section 5 of R.A. No. 9903.

statute and the doctrine of non-delegation of powers from the separation of the branches of the government.[66]

Accordingly, with the growing complexity of modern life, the multiplication of the subjects of governmental regulations, and the increased difficulty of administering the laws, the rigidity of the theory of separation of governmental powers has, to a large extent, been relaxed by permitting the delegation of greater powers by the legislative and vesting a larger amount of discretion in administrative and executive officials, not only in the execution of the laws, but also in the promulgation of certain rules and regulations calculated to promote public interest.[67] Stated differently, administrative agencies are necessarily authorized to fill in the gaps of a statute for its proper and effective implementation. Hence, the need to delegate to administrative bodies—the principal agencies tasked to execute laws in their specialized fields—the authority to promulgate rules and regulations to implement a given statute and effectuate its policies.[68]

In the instant case, Section 30 of the R.A. No. 8282 and Section 5 of R.A. No. 9903 gave the SSS the power to promulgate rules and regulations to define the terms of social security-related laws that may have a likelihood of being subjected to several interpretations. This is exactly what the SSS did when it defined the term "accrued penalties" to mean "unpaid penalties" so as to make it unequivocal and prevent confusion as to the applicability of R.A. No. 9903. More importantly, since the ascription of the meaning of "unpaid penalties" to "accrued penalties" bear a reasonable semblance and justifiable connection, it should not be disturbed and altered by the courts.

Delinquent contributions and penalties may be paid separately

There is no existing statutory or regulatory provision which requires the simultaneous or joint payment of corresponding penalties along with the payment of delinquent contributions. Consequently, it is possible that a class of employers who have settled their delinquent contributions but have not paid the corresponding penalties before the effectivity of R.A. No. 9903, may exist. As adequately pointed out by the SSC:[69]

> It is worthy to note **that there is no provision in RA 8282, as amended, nor in any SSS Circular or Office Order that requires employers to settle their arrears in contributions simultaneously with payment of the penalty**. On the contrary, in its sincere effort to be a

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[66] *Cawad, et al. v. Abad, etc., et al.*, , 764 Phil. 705, 723 (2015).

[67] *Conference of Maritime Manning Agencies, Inc., et al. v. Philippine Overseas Employment Administration, et al.*, 313 Phil. 592, 606-607 (1995).

[68] *Gerochi, et al. v. Department of Energy, et al.*, 554 Phil. 563, 584 (2007).

[69] *Rollo*, p. 314, citing: SS Circular No. 2011-002 (Issued on February 16, 2011).

> partner in nation[-]building, along with the State's declared policy to establish, develop, promote and perfect a sound and viable tax-exempt social security system suitable to the needs of the Philippines, the SSS is empowered to accept, process and approve applications for installment proposal evincing that employers are not required to settle their arrears in contributions simultaneously with the payment of the penalty. [emphasis supplied]

The Court finds that the aforementioned assertion of the SSC is not without any legal basis as Section 4 (c) of the R.A. No. 8282 provides:

> Section 4. *Powers and Duties of the Commission and SSS.* –
>
> xxxx
>
> (6) To compromise or release, **in whole or in part**, any interest, penalty or any civil liability to SSS in connection with the investments authorized under Section 26 hereof, under such terms and conditions as it may prescribe and approved by the President of the Philippines; and xxx (emphasis supplied)

Based on the foregoing, the SSS—through the SSC—is authorized to address any act that may undermine the collection of penalties due from delinquent employers subject only to the condition in Section 26 of the same law that the potential revenues being compromised "are not needed to meet the current administrative and operational expenses." Thus, petitioners' claim that "a class of employers who simply paid the arrears in contribution but did not settle their penalties due does not exist"[70] is erroneous.

There is no violation of the equal protection clause

There is a substantial distinction between employers who paid prior and subsequent to R.A. No. 9903's effectivity. The equal protection clause guarantees that no person or class of persons shall be deprived of the same protection of laws which is enjoyed by other persons or other classes in the same place and in like circumstances.[71] However, the concept of equal protection does not require a universal application of the laws to all persons or things without distinction; what it simply requires is equality among equals as determined according to a valid classification.[72]

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[70] Id. at 25.
[71] *Commissioner of Customs, et al. v. Hypermix Feeds Corporation*, 680 Phil. 681, 693 (2012).
[72] *Bartolome v. Social Security System, et al.*, 746 Phil. 717, 730 (2014).

In other words, equal protection simply requires that all persons or things similarly situated should be treated alike, both as to rights conferred and responsibilities imposed.[73] **It does not forbid discrimination as to things that are different.**[74] Neither is it necessary that the classification be made with mathematical nicety.[75] Congress is given a wide leeway in providing for a valid classification;[76] especially when social or economic legislation is at issue.[77] Hence, legislative classification may properly rest on narrow distinctions, for the equal protection guaranty does not preclude the legislature from recognizing degrees of evil or harm, and legislation is addressed to evils as they may appear.[78]

Correspondingly, the primordial duty of the Court is merely to apply the law in such a way that it shall not usurp legislative powers by judicial legislation and that in the course of such application or construction, it should not make or supervise legislation, or under the guise of interpretation, modify, revise, amend, distort, remodel, or rewrite the law, or give the law a construction which is repugnant to its terms.[79] In enacting a law, it is the sole prerogative of Congress—not the Judiciary—to determine what subjects or activities it intends to govern limited only by the provisions set forth in the Constitution.

Significantly, petitioners have already paid not only their delinquent contributions but also their corresponding penalties before the enactment and effectivity of R.A. No. 9903. Because of this observation, **petitioners cannot anymore be considered as "delinquent" under the purview of R.A. No. 9903** and are not within the class of "delinquent employers."[80] Simply put, they are **not similarly situated** with other employers who are delinquent at the time of the law's effectivity. Accordingly, Congress may treat petitioners differently from all other employers who may have been delinquent.

Verily, this Court cannot—in the guise of interpretation—modify the explicit language of R.A. No. 9903 in waiving the collection of accrued penalties to also include claims for refund. It obviously violates the *Trias Politica* Principle entrenched in the very fabric of democracy itself. While violation of the equal protection clause may be a compelling ground for this Court to nullify an arbitrary or unreasonable legislative classification, **it may**

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[73] *The Philippine Judges Association, etc., et al. v. Prado, etc., et al.*, 298 Phil. 502, 512-513 (1993).
[74] *Victoriano v. Elizalde Rope Workers' Union, et al.*, 158 Phil. 60, 87 (1974).
[75] *ABAKADA Guro Party List (formerly AASJS) Officers/Members, etc. v. Purisima, etc., et al.*, 584 Phil. 246, 270 (2008).
[76] *Central Bank (now Bangko Sentral ng Pilipinas) Employees Association, Inc. v. Bangko Sentral ng Pilipinas, et al.*, 487 Phil. 531, 597 (2004).
[77] *City of Cleburne, Texas, et al. v. Cleburne Living Center, Inc., et al.*, 473 U.S. 432 (1985).
[78] *Anucension, et al. v. National Labor Union, et al.*, 170 Phil. 373, 392 (1977).
[79] *Corpuz v. People*, 734 Phil. 353, 416, (2014).
[80] *Rollo*, pp. 25-26.

not be used as a basis to extend the scope of a law to classes not intended to be covered.[81] Therefore, R.A. No. 9903, which waived outstanding penalties, cannot be expanded to allow a refund of those which were already settled before the law's effectivity.

Final note

Settling the contributions in arrears within the availment period only entitles delinquent employers to a remission of their corresponding accrued and outstanding penalties—not a refund of the penalties which have already been paid. There is nothing in R.A. No. 9903 which explicitly imposes or even implicitly recognizes a positive or natural obligation on the part of the SSS to return the penalties which have already been settled before its effectivity.

It is absurd to revive obligations that have already been extinguished by payment or performance just to be re-extinguished by condonation or remission so that it may create a resulting obligation on the basis of *solutio indebiti*. More importantly, there is no violation of the equal protection clause because there is a substantial distinction in the classes of employers. Therefore, the Court deems it fitting to deny petitioners' claim for refund for lack of substantial and legal basis.

WHEREFORE, the petition is **DENIED.** The February 26, 2016 Decision and November 2, 2016 Resolution of the Court of Appeals in CA-G.R. SP No. 140916 are **AFFIRMED *in toto***.

SO ORDERED.

ALEXANDER G. GESMUNDO
Associate Justice

[81] *Cf. Lopez, etc., et al. v. Court of Appeals, et al.*, 438 Phil. 351, 362 (2002) where it was stated that courts may not, in the guise of interpretation, enlarge the scope of a statute and include therein situations not provided or intended by the lawmakers.

WE CONCUR:

LUCAS P. BERSAMIN
Associate Justice
Acting Chairperson

MARVIC MARIO VICTOR F. LEONEN
Associate Justice

FRANCIS H. JARDELEZA
Associate Justice

(On Official Leave)
SAMUEL R. MARTIRES
Associate Justice

ATTESTATION

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

LUCAS P. BERSAMIN
Associate Justice
Acting Chairperson

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

MARIA LOURDES P. A. SERENO
Chief Justice

CERTIFIED TRUE COPY
WILFREDO V. LAPIÑAN
Division Clerk of Court
Third Division
MAR 07 2018