

Title:

Carlos Superdrug Corp. et al. v. Department of Social Welfare and Development, et al. (G.R. No. 166494)

Facts:

The petitioners include corporations and individual proprietors that operate drugstores in the Philippines. They questioned the constitutionality of Section 4(a) of Republic Act (R.A.) No. 9257, known as the “Expanded Senior Citizens Act of 2003,” which mandates a 20% discount to senior citizens on certain purchases, including medicines. The respondents are various government departments tasked with enforcing the law.

The case’s procedural history began with the enactment of R.A. No. 9257 on February 26, 2004, which became effective on March 21, 2004. The law allowed establishments to claim the discounts as tax deductions. On May 28, 2004, implementing rules and regulations were approved, and the Department of Finance issued an opinion on the nature of tax deductions under the Act. The law was further clarified through administrative orders, extending discounts to more types of medicines.

Petitioners filed a Petition for Prohibition with Prayer for Preliminary Injunction before the Supreme Court, challenging the constitutionality of the imposition of a 20% senior citizen discount on drugstores, arguing that this provision is confiscatory and violates the equal protection clause and guaranteed accessibility of essential goods and services.

Issues:

1. Whether the provision granting a 20% senior citizen discount is confiscatory and violates the right to just compensation.
2. Whether the law violates the equal protection clause.
3. Whether the law violates the constitutional principle making essential goods and health services available at affordable costs.

Court’s Decision:

The Supreme Court dismissed the petition for lack of merit.

Issue 1: The Court held that the granting of senior citizen discounts is not confiscatory, even if it does not provide for full reimbursement to the establishments. The discount is

determined as a tax deduction rather than a tax credit; thus, it does not return the discount amount on a peso-for-peso basis. However, this regulation falls within the State's police power to promote the common good, and without clear proof of the unconstitutionality or the damage to petitioners, the law must be upheld.

Issue 2: The Court found no violation of the equal protection clause, noting that the classification for granting senior citizen benefits is rationally related to a legitimate government interest.

Issue 3: The Court did not agree with the petitioners that the law violates the constitutional guarantee on the accessibility of essential goods and health services. Instead, it considered the act a legitimate exercise of police power aimed at promoting the welfare of senior citizens.

Doctrine:

The law is a valid exercise of police power, which extends to all the great public needs and is the most essential and least limitable of governmental powers. The 20% senior citizen discount provision implemented through a tax deduction mechanism is a legitimate governmental strategy to involve the private sector in social programs beneficial to senior citizens. This does not violate just compensation principles since the principle of just compensation applies to a taking for public use, which is different from the State's police power.

Class Notes:

- Police Power: The inherent power of the State to regulate or restrict property rights in the public interest.
- Just Compensation: Refers to the full equivalent for the property taken from its owner, typically applicable to expropriation cases and not to police power regulations.
- Marginal Tax Rate: The tax burden establishments carry for the discount, which is not 100% compensated.
- Tax Deduction vs. Tax Credit: Tax deduction reduces taxable income from which tax is computed, whereas tax credit is a peso-for-peso offset against taxes owed.

Historical Background:

The Expanded Senior Citizens Act of 2003 is part of the State's effort to recognize the

valuable contributions of senior citizens to society. Enacted following the constitutional mandate for social justice, and the State's responsibility to care for the elderly, the law emphasizes the role of the private sector in the overall welfare of senior citizens. The legal and economic dialog surrounding this statute reflects the tension between private property rights and the State's interest in fulfilling its social responsibilities. The Supreme Court's decision balances these interests by upholding the law under the State's police power while acknowledging the economic impact on businesses.