

**\*\*Title:\*\*** Victorias Milling Company, Inc. vs. Social Security Commission

**\*\*Facts:\*\***

On October 15, 1958, the Social Security Commission (SSC) issued Circular No. 22, directing employers to include all bonuses, overtime pay, and the cash value of any other remuneration in computing the premiums due for social security contributions, effective November 1, 1958. This circular contradicted a previous Circular No. 7, which expressly excluded overtime pay and bonuses from the computation. Victorias Milling Company, Inc. (VMC), protested against Circular No. 22 for allegedly conflicting with Circular No. 7, lacking presidential approval, and for not being published in the Official Gazette. The SSC overruled these objections, stating Circular No. 22 was an administrative interpretation of the statute and did not require presidential approval nor publication to be effective. VMC, dissatisfied, appealed to the Supreme Court.

**\*\*Procedural Posture:\*\***

The objection by VMC against Circular No. 22 was brought through an appeal directly to the Supreme Court, challenging the circular's validity on grounds of exceeding authority and procedural non-compliance.

**\*\*Issues:\*\***

1. Whether Circular No. 22 is an administrative rule or regulation that requires presidential approval and publication in the Official Gazette to be effective.
2. Whether the inclusion of bonuses, overtime pay, etc., in the computation of the social security contributions is mandated by the Social Security Law, as amended.

**\*\*Court's Decision:\*\***

The Supreme Court ruled that Circular No. 22 is not an administrative rule or regulation that imposes a new duty or obligation but is an interpretative policy or opinion on how the amended Social Security Law should be construed. Therefore, it does not require presidential approval nor publication in the Official Gazette to be effective. The Court affirmed the resolution of the SSC, agreeing that bonuses and overtime pay must be included in the computation of social security contributions based on the amendment of the law that redefined "compensation" for the purposes of the Act.

**\*\*Doctrine:\*\***

Administrative interpretations of a law are advisory and not binding on courts. Rules and regulations can enforce compliance through penal sanctions and have the effect of law when

promulgated within the authority granted by the legislature. The specific definition of terms within a statute overrides prior executive or judicial interpretations for the purposes of that statute.

**\*\*Class Notes:\*\***

- Administrative Rules vs. Interpretations: Rules require legislative procedure, while interpretations provide clarity on existing laws.
- Authority of Administrative Agencies: Agencies may issue interpretations but cannot create new obligations without legislative process.
- Legal Definitions: Specific statutory definitions supersede general understandings or prior interpretations.
- Impact of Legislative Amendments: Changes in law necessitate reevaluation of administrative policies and interpretations.

**\*\*Historical Background:\*\***

The case highlights a pivotal moment in the evolution of social security legislation in the Philippines, marking a clearer interpretation of what constitutes “compensation” for social security contributions. The amendments in the Social Security Law and the consequent administrative circulars reflect the efforts to broaden the bases for contributions to ensure more comprehensive coverage and benefits for employees. This case demonstrates the interplay between legislative amendments, administrative interpretations, and judicial review in the dynamic evolution of social welfare legislation.