

### Title: Planters Products, Inc. vs. Fertiphil Corporation: A Scrutiny of the Public Purpose in Taxation

### Facts

Planters Products, Inc. (PPI) and Fertiphil Corporation are both engaged in the importation and distribution of fertilizers in the Philippines. On June 3, 1985, President Ferdinand Marcos issued Letter of Instruction (LOI) No. 1465, mandating a capital recovery component (CRC) of P10 per bag of fertilizer sold domestically to raise capital for PPI. Fertiphil paid a total of P6,689,144 under this directive until the levy was voluntarily stopped by the Fertilizer and Pesticide Authority (FPA) after the 1986 EDSA Revolution. Fertiphil's demand for a refund from PPI was refused, leading to a complaint for collection and damages against FPA and PPI with the RTC in Makati, contesting the constitutionality of LOI No. 1465. The RTC ruled in favor of Fertiphil, a decision later affirmed with modification by the CA. PPI's appeal to the Supreme Court was grounded on procedural issues and the constitutionality of LOI 1465.

### Issues

1. Whether Fertiphil has locus standi.
2. Whether the RTC and CA erred in ruling on the constitutionality of LOI No. 1465.
3. Whether the levy under LOI No. 1465 was an exercise of the power of taxation or police power.
4. Whether LOI No. 1465 served a public purpose.
5. The applicability of the doctrine of operative fact in refunding the levies paid under LOI No. 1465.

### Court's Decision

1. Fertiphil had locus standi due to direct injury and the case's transcendental importance.
2. The RTC had the jurisdiction to resolve the constitutionality of statutes, a power vested by the Constitution, and the constitutionality of LOI No. 1465 was the *lis mota* of the case.
3. The levy under LOI No. 1465 was held as an exercise of the power of taxation, intended for revenue generation to make PPI financially viable.
4. LOI No. 1465 was deemed unconstitutional for not serving a public purpose; it was designed to benefit PPI, a private corporation, contrary to the basic principle that taxes can only be levied for a public purpose.
5. The doctrine of operative fact was found inapplicable. The Court stated that an unconstitutional law is void *ab initio* and upheld the principle against unjust enrichment, mandating PPI to refund the amounts paid by Fertiphil.

### ### Doctrine

The Supreme Court reinforced the doctrine that taxes must be levied solely for a public purpose and not for the benefit of private individuals or entities. It also reiterated the authority of RTCs to consider the constitutionality of statutes, executive orders, and other issuances.

### ### Class Notes

- **Locus Standi**: Defined as a direct injury or substantial interest in the case.
- **Power of Judicial Review**: The power to declare a law unconstitutional which is vested not only in the Supreme Court but also in all Regional Trial Courts.
- **Power of Taxation vs. Police Power**: Taxation primarily aims for revenue for public purposes, while police power regulates behavior for the general welfare.
- **Public Purpose in Taxation**: Taxes cannot be levied for the exclusive benefit of private individuals or entities.
- **Doctrine of Operative Fact**: Recognizes the effects of an unconstitutional law before being declared as such, applied as a matter of equity and fair play, which was held inapplicable in this case.

### ### Historical Background

The case contextualizes a pivotal moment in Philippine history, capturing the aftermath of the 1986 EDSA Revolution and the democratic transition that ensued. It underscores the judiciary's role in curbing abuses of power by examining legislation enacted during martial law, reflecting on the broader challenges of reinstating democratic institutions and restoring public trust in the legal system.