

Title: Boie-Takeda Chemicals, Inc. vs. Hon. Dionisio C. De La Serna and Philippine Fuji Xerox Corp. vs. Cresenciano B. Trajano et al.

Facts:

The consolidated cases concern the definition of “basic salary” for the purpose of computing the 13th-month pay of employees. Initially triggered by labor inspections, Boie-Takeda Chemicals, Inc., and Philippine Fuji Xerox Corp. were found to have underpaid the 13th-month pay of their employees by not including commissions in the computation of said pay. Both companies contested these findings, arguing that commissions should not be considered part of the basic salary. This dispute escalated through appeals to the Department of Labor and Employment (DOLE), and eventually to the Supreme Court, highlighting a significant legal question regarding the statutory definition and computation of the 13th-month pay.

Issues:

1. Whether the inclusion of commissions in the computation of the 13th-month pay constitutes an expansion of the concept of “basic salary” beyond the scope of Presidential Decree No. 851, otherwise known as the Thirteenth Month Pay Law.
2. Whether the Revised Guidelines on the Implementation of the 13th Month Pay Law issued by then Labor Secretary Franklin Drilon, specifically the inclusion of commissions in the computation, exceeded statutory authority and thus were invalid.

Court’s Decision:

The Supreme Court decided in favor of the petitioners, **Boie-Takeda Chemicals, Inc.** and **Philippine Fuji Xerox Corp.**, ruling that the inclusion of commissions in the computation of the 13th-month pay by the Revised Guidelines on the Implementation of the 13th Month Pay Law indeed constituted an unauthorized expansion of the term “basic salary” as originally defined in Presidential Decree No. 851. The Court underscored the fundamental principle that implementing rules cannot add to, detract from, or modify the law they are designed to implement. Accordingly, the specific provision in the Revised Guidelines that mandated the inclusion of commissions in the 13th-month pay was declared null and void for being violative of the law.

Doctrine:

The doctrine established in this case is that implementing rules or guidelines cannot expand, modify, or detract from the provisions of the law they are designed to execute. Specifically, the definition of “basic salary” for the computation of the 13th-month pay as

provided under Presidential Decree No. 851 does not include commissions.

****Class Notes:****

- Basic Salary: Defined under Presidential Decree No. 851 as the rate of pay for a standard work period, exclusive of additional payments like bonuses and overtime.
- Implementing Rules: Cannot add to, detract from, or significantly modify the law they are intended to implement. They must remain within the scope and spirit of the enabling legislation.
- Thirteenth Month Pay: A mandated benefit based on the “basic salary,” excluding commissions, overtime pay, and other additional earnings.
- Commission: Additional pay for extra efforts such as sales, not included in the computation of the 13th-month pay.
- Supreme Court’s Role: Interprets laws and reviews the validity of implementing rules in case of disputes.

****Historical Background:****

Presidential Decree No. 851, issued to augment the benefits of employees, mandated the provision of the 13th-month pay. Over time, the interpretation and implementation of this decree, particularly the definition of “basic salary,” have evolved through amendments and clarifications via supplementary rules and guidelines issued by the Department of Labor and Employment. This case reflects the legal controversies that can arise from such statutory interpretations and the Supreme Court’s pivotal role in clarifying legislative intent and ensuring that administrative guidelines adhere to statutory limits.