REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

UNIVERSAL INSURANCE AND
INDEMNITY COMPANY,
Petitioner,

-versus-   C. T. A. CASE NO. 2169

THE COMMISSIONER OF
INTERNAL REVENUE,
Respondent.
x - - - - - - - - - - - - - - x

11/11/74

D E C I S I O N

Petitioner, a corporation filing its income tax returns on the calendar year basis, was required by respondent to pay the amounts of ₱1,243.20 and ₱1,138.52, or a total of ₱2,381.72, as deficiency income tax and delinquency penalties for the year 1968. The basis of the assessment for the sum of ₱1,243.20 was the disallowance of certain expenses claimed as deduction in petitioner's return; while the basis for the sum of ₱1,138.52 was the application, effective July 1, 1968, of the new corporate income tax rates of 25% and 35% prescribed in Republic Act No. 5431.

In its appeal to this Court from the decision of respondent dated July 13, 1970 denying its protest against the assessment, petitioner does not question the correctness of the disallowance of the aforesaid deductions. In fact, during the hearing, it signified its willingness to pay the amount of ₱1,243.20 as deficiency tax resulting from said disallowance.

However, in regard to the amount of ₱1,138.52, petitioner contends that under Section 10 of Republic Act No. 5431 which provides that the provisions of said Act "shall apply to income for taxable years beginning after June 30, 1968," the increased rates are applicable only to its income beginning January 1, 1969 and not July 1, 1968, since its taxable year, which is the calendar year, begins on January 1st and ends on December 31st each year.

The issue to be resolved is already well settled. In previous cases involving the same issue, it was held that the increased rates prescribed in Republic Act No. 5431 are applicable to income of calendar year corporations beginning January 1, 1969 and not on July 1, 1968 as interpreted by respondent. Thus, from July 1, 1968 until December 31, 1968, the income of corporations on the calendar year basis is still subject to the old rates provided under Section 24 of the Revenue Code. (The Manila Times Pub. Co., Inc. vs. Comm. of Int. Rev., C.T.A. Case No. 2263, December 17, 1973*; Zamboanga Wood Products, Inc. vs. Comm. of Int. Rev., C.T.A. Case No. 2053, June 3, 1974; Colgate Palmolive Phil., Inc. vs. Comm. of Int. Rev., C.T.A. Case No. 2293, June 10, 1974; Phil. Aviation Corp. v. Comm. of Int. Rev., C.T.A. Case No. 2195, Aug. 5, 1974; Rural Bank of Sariaya, Inc. v. Comm.

of Int. Rev., C.T.A. Case No. 2068, Sept. 24, 1974; Rural Bank of Talisay (Cebu) Inc. vs. Comm. of Int. Rev., C.T.A. Case No. 2250, Sept. 24, 1974.)

WHEREFORE, the decision appealed from involving the sum of ₱1,136.52 is hereby reversed, while the decision in regard to the sum of ₱1,243.26 is affirmed. Accordingly, petitioner is hereby ordered to pay respondent the sum of ₱1,243.26, plus 5% surcharge and 1% monthly interest, subject to the limitation prescribed in Section 51(e) of the Revenue Code, as amended. No costs.

SO ORDERED.

Quezon City, November 11, 1974.

ROMAN M. UMALI
Presiding Judge

WE CONCUR:

ESTANISLAO R. ALVAREZ
Associate Judge

RAMON L. AVANCENA
Associate Judge