REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

GOODYEAR TIRE & RUBBER CO.,
OF THE PHILIPPINES, LTD.,
Petitioner,

- versus - C.T.A. CASE NO. 2095

THE COMMISSIONER OF INTERNAL
REVENUE,
Respondent.

x - - - - - - - - - - - - - - - - x

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 sum of ₱260.10 and ₱413,033.10 as deficiency income tax and delinquency penalty for the year 1968. The basis of the assessment in the amount of ₱413,033.10 was the application, effective July 1, 1968, of the new corporate income tax rates provided in Section 24 of the Tax Code, as amended by Republic Act No. 5431. With respect to the assessment in the sum of ₱260.10, this was brought about by the disallowance of petitioner's claimed deduction for patent charges in the sum of ₱10,556.50.

Petitioner has appealed only from that portion of the decision dated February 20, 1970 as regards the sum of ₱413,033.10. Petitioner contends that under Section 10 of Republic Act No. 5431, which provides that said Act "shall apply

(39)

to income for taxable years beginning after June 30, 1968," the increased rates provided therein 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 of each year. Respondent on the other hand contends that the new rates are applicable to income earned beginning July 1, 1968, regardless of whether a corporation is on the calendar or fiscal year basis.

The issue raised is not of first impression. In several cases, 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 July 1, 1968, as interpreted by respondent. (The Manila Times Publishing Co., Inc. vs. Comm. of Int. Rev., C.T.A. Case No. 2263, December 17, 1973, certiorari denied in G.R. No. L-38154, May 10, 1974; Pepsico, Inc. vs. The Commissioner of Int. Rev., C.T.A. Case No. 2245, Feb. 19, 1975, and cases cited therein.) Consequently, the income of petitioner from July 1, 1968 to December 31, 1968 is still subject to the old rates prescribed in Section 24 of the Revenue Code, before its amendment by Republic Act No. 5431.

(40)

WHEREFORE, the decision appealed from in so far as petitioner is required to pay the sum of ₱413,033.10 as deficiency income tax and penalty is hereby reversed. Without pronouncement as to costs.

SO ORDERED.

Quezon City, October 9, 1975.

ROMAN M. UMALI
Presiding Judge

WE CONCUR:

ESTANISLAO R. ALVAREZ
Associate Judge

RAMON L. AVANCEÑA
Associate Judge

(4)