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Republic of the Philippines
COURT OF TAX APPEALS
Manila

GOODRICH INTERNATIONAL
RUBBER CO.,
Petitioner,

- versus - C.T.A. CASE NO. 468

COLLECTOR OF INTERNAL
REVENUE,
Respondent.

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

Nov. 19/63

AMENDED DECISION

The dispositive portion of our decision of June 8, 1963, reads as follows:

> "IN VIEW OF THE FOREGOING CONSIDERATIONS, respondent's assessment for the year 1951 is hereby reversed and the assessment for the year 1952 is hereby affirmed. Petitioner Goodrich International Rubber Company is hereby ordered to pay the sum of ₱8,439.00 representing deficiency income tax for the year 1952, plus the statutory delinquency penalties thereon. No pronouncement as to costs."

Petitioner has filed a motion for reconsideration of said decision as regards the affirmance of respondent's assessment for the year 1952. It is alleged that the decision affirming respondent's assessment for the year 1952 is not supported by the evidence.

The deficiency assessment of ₱8,439.00 for the year 1952 was brought about by the disallowance of the sum of ₱30,138.88 which was claimed by petitioner as representation expenses in said year. The said amount was allegedly spent at the following athletic and social clubs:

Elks Club --------------	₱10,959.21
Manila Polo Club -------	4,947.35
Army & Navy Club -------	2,812.95
Manila Golf Club -------	4,478.45
Wack Wack Golf Club, Casino Español, etc. -	6,940.92
	₱30,138.88

The evidence shows that petitioner required members of its staff to be members of athletic and social clubs for the purpose of establishing contacts with prospective customers and to entertain customers. Therefore, a portion of the aforesaid expenses pertain to club dues and the rest to entertainment expenses.

With respect to club dues, it has been held that where a corporation requires its officers to be members of social or athletic clubs to promote its business, and the club dues are paid by the corporation, such dues are deductible by the corporation as ordinary and necessary business expenses. (Louis S. Cohn Co., 12 BTA 1281, Dec. 4226, cited in 581 CCH, Par. 1338.-239.) The club dues paid by petitioner on account of its staff officers who were required to be members of said clubs are, therefore, deductible.

As regards the portion of said expenses pertaining to entertainment expenses, it has been sufficiently proven that said expenses were incurred to entertain petitioner's customers. Here is our finding on this matter appearing on page 5 of our decision of June 8, 1963:

> It appears that petitioner, as a matter of policy, required its officers to be members of social clubs, such as the Elks Club, Manila Polo Club, Army and Navy Club, Manila Golf Club, Wack Wack

> Golf Club, and Casino Español, for the purpose of establishing contacts with prospective customers, particularly those who own automobiles (tsn. p. 87). The officers entertained the company's customers at said clubs (tsn, p. 93), and the expenses incurred therefor were reimbursed to the former.

It having been established that said expenses were incurred and actually paid in 1952 to entertain petitioner's customers,(tsn, pp. 86-104), it was error to disallow said deduction.

WHEREFORE, the dispositive portion of our decision of June 8, 1963 is hereby amended to read as follows:

> "IN VIEW OF THE FOREGOING CONSIDERATIONS, respondent's deficiency income tax assessment against petitioner for the years 1951 and 1952 is hereby reversed, without pronouncement as to costs."

SO ORDERED.

Manila, November 19, 1963.

(Sgd.) ROMAN M. UMALI
Associate Judge

(Sgd.) MARIANO NABLE
Presiding Judge