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REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

PHILIPPINE APPLIANCE CORPORATION,
Petitioner,

- versus - CTA CASE NO. 2230

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

2/31/75

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D E C I S I O N

Petitioner appealed from the decision of respondent holding the former liable for the payment of the sum of ₱31,515.45, as deficiency income tax and deliquency penalties for the period from July 1, 1968 to July 31, 1968.

Petitioner is keeping its books and records on the fiscal year basis, its taxable year commencing on August 1 and ending on July 31 of the following year. For the fiscal year 1967-68 (August 1, 1967 to July 31, 1968), it paid its income tax under the old rates of 22% and 30% as prescribed in Section 24 of the Revenue Code, prior to its amendment by Republic Act No. 5431, and pursuant to Section 10 of said Act which provides that the "provisions of said Act[1] shall apply to income for taxable years beginning after June 30, 1968." However, respondent computed the income tax of petitioner for said fiscal year based on the new rates of 25% and 35% with respect to its income beginning July 1, 1968. As a result, respondent assessed

[1] Republic Act No. 5431 increased the rates of corporate income tax from 22% and 30% to 25% and 35%.

against petitioner a deficiency income tax of ₱31,515.45, inclusive of interest and penalties.

Petitioner requested reconsideration of respondent's decision on the ground that it is not subject to the increased rates of 25% and 35% under Republic Act No. 5431 effective July 1, 1968, but only from August 1, 1968, as the latter date is the beginning of its taxable year after June 30, 1968.

The sole issue in this case is purely one of law, i.e., whether or not the increased rates of corporate income tax prescribed in Republic Act No. 5431 should apply to petitioner's income earned from July 1, 1968.

As the taxable year of petitioner begins on August 1, the beginning of its taxable year after June 30, 1968 is August 1, 1968 and not July 1, 1968. Accordingly, it was erroneous for respondent to apply the new corporate income tax rates to the income of petitioner from July 1, 1968. (See Manila Times Publishing Co., Inc. v. Comm. of Int. Rev., CTA Case No. 2263, Dec. 17, 1973, certiorari denied in G.R. No. L-38194, May 10, 1974.)

WHEREFORE, the decision of respondent is hereby reversed. Without pronouncement as to costs.

SO ORDERED.

Quezon City, March 31, 1975.

R M Umali
ROMAN M. UMALI
Presiding Judge

WE CONCUR:

Estanislao R. Alvarez
ESTANISLAO R. ALVAREZ
Associate Judge

Ramon L Avanceña
RAMON L. AVANCEÑA
Associate Judge

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